



Annual and sustainability report 2021



First in probiotics



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Sustainability

Probi in brief



A leading, global company in probiotics

Probi was founded by researchers in Lund in 1991 and is today one of the largest, leading, global probiotic companies. Probi has a strong and broad product portfolio, primarily in the areas of gastric health and the immune system. Probi's products are currently sold in around 40 markets around the world.

In house production in GMP-certified facilities

Probi has its own capacity for fermentation, formulation and production in GMP-certified plants (Good Manufacturing Practice). Probi develops, manufactures and offers probiotics in many forms including powders, capsules, tablets or foods in close cooperation with leading health, pharmaceutical and food companies.

Unique expertise

Through a strong focus on a scientific base, Probi has built up unique expertise. Probi's projects are always based on identified market needs and commercial opportunities. Probi participates in a number of international research collaborations and a large number of studies have been published. Probi currently has over 400 approved patents.

A leading global probiotic company



175

At the end of 2021, Probi had 175 employees.

>40

Probi's products are available in over 40 countries and more countries are continually being added.

+400

Probi has more than 400 patents worldwide.

Americas region

74%
of net sales 2021

EMEA region

19%
of net sales 2021

APAC region

7%
of net sales 2021

Vision

Probi will be the innovative research-driven frontrunner within probiotics. Our ambition is to improve the well-being of people worldwide. This is what drives and inspires us.

Mission

Providing probiotic products for healthier lives worldwide. Millions of people suffer from health issues that can benefit from careful addition of probiotics. Probi's mission is to provide top-quality probiotics, backed up by science, grown with care and delivered in attractive forms. In this way, we can help consumers live a healthier life worldwide.



Probiotics

The WHO defines probiotics as live microorganisms which when administered in adequate amounts confer a health benefit on the host.

In order for a product to be defined as a probiotic, it is necessary for its health effects to have been shown in clinical studies. This means that subjects are studied while taking probiotics to be able to confirm its actual effect. It is extensive work that requires scientific tests and documentation before the product can be offered to consumers.

Today, probiotics are often used as dietary supplements and are added to a number of different food products, such as dairy products. Supplements of probiotics are also available in many other forms such as capsules, tablets or powders.

A broad product portfolio

Probi has one of the market's most comprehensive portfolios of probiotic products in the following areas:

- Digestive health
- Immune health
- Bone health
- Iron absorption
- Women's health
- 65+ Senior health
- Children's health



Probi ClinBac™

Probi ClinBac™ is Probi's exclusive and patented health concept with clinically well-documented probiotic strains. Probi ClinBac™ contains Probi Defendum®, Probi Digestis®, Probi Ferrosorb® and Probi® Osteo.



Probi LiveBac®

Probi LiveBac® offers Probi's widest range of active probiotic strains for use in dietary supplements and food products. Probi LiveBac® offers pure bacterial cultures, mixtures and finished products, available in a variety of applications.

The year in brief

01 FIRST QUARTER

- Strategic partnership with the Chinese pharmaceutical company China National Pharmaceutical Foreign Trade Corporation (Sinopharm Foreign Trade), a wholly-owned subsidiary of China National Pharmaceutical Group Corporation (Sinopharm) for the launch of three of Probi's ClinBac™ concepts in China.
- First deliveries under an agreement with Perrigo, including the launch of Probi's ClinBac™ concept in 14 European countries.
- A research collaboration in bone health began with La Trobe University in Australia, where further clinical studies of Probi® Osteo will be conducted.

02 SECOND QUARTER

- New partnership with the global beauty company Oriflame and launch of probiotic dietary supplements in gastric health based on Probi Digestis®.
- Publication of a study regarding the improvement of pregnant women's iron status when taking Probi Pregnant, containing LP299V®.
- A long-term research collaboration began with the Estonian company Tervisetechnoogiate Arenduskeskus AS for the development of new products in vaginal health.
- The number of shares and voting rights was reduced to 11,394,125 through the cancellation of 250,000 of the company's treasury shares in accordance with a resolution of the Annual General Meeting on May 7.

03 THIRD QUARTER

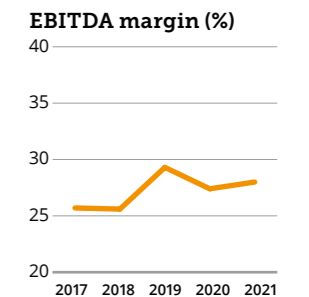
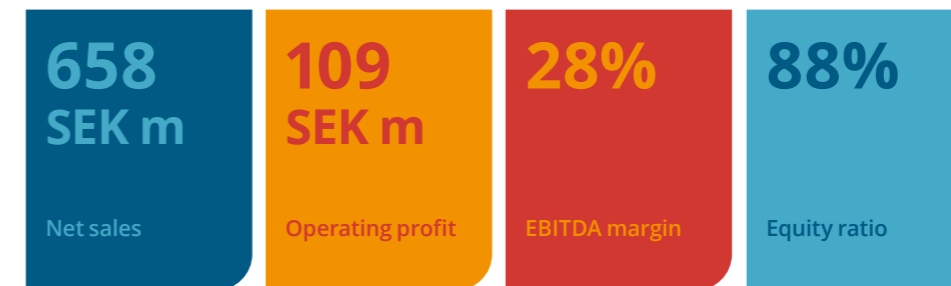
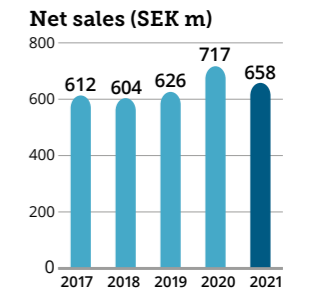
- A long-term strategic partnership began with Blis Technologies in New Zealand through an investment in newly issued shares corresponding to an ownership of 13%. Read more about the collaboration below.
- Probi published its first tolerance study of two different probiotic strains: *L. Plantarum* and *L. Rhamnosus*, which showed good tolerance in infants.
- New product launch containing LP299V® together with the lifestyle and health company Goop, USA.

04 FOURTH QUARTER

- As of November 30, Probi has been included in the MSCI World Micro Cap Index, consisting of 6,000 companies from 23 stock markets around the world, of which the Health Care segment accounts for around 12.5%.

THE YEAR IN FIGURES

SEK m	2017	2018	2019	2020	2021
Net sales	612.2	604.1	626.2	717.2	658.2
Net sales growth, %	38.1	-1.3	3.7	14.5	-8.2
Currency-adjusted net sales growth, %	38.2	-2.2	0.1	16.9	-3.3
Gross margin, %	45.4	46.0	46.6	43.2	43.8
EBITDA	157.3	154.9	183.4	196.5	182.5
EBITDA, %	25.7	25.6	29.3	27.4	27.7
Operating profit (EBIT)	104.1	101.1	111.5	123.7	109.2
Operating margin, %	17.0	16.7	17.8	17.2	16.6
Profit for the year	69.1	76.3	85.9	92.7	83.1
Earnings per share, SEK	6.1	6.7	7.5	8.1	7.3
Equity ratio, %	80	85	89	90	88



Strategic partnership that broadens our product portfolio

The acquisition of shares in the New Zealand company Blis Technologies has started a long-term strategic partnership between Probi and Blis.

The partnership with Blis gave Probi access to a portfolio of clinically documented bacterial strains in the ears, nose and throat areas, not previously addressed by Probi, providing us with an opportunity to further broaden the product portfolio. Through a licensing and distribution agreement for two of Blis' clinically validated products, Probi will also utilize the increased production capacity in its manufacturing facilities effectively and thereby contribute to a higher profitability for both Probi and Blis. The partnership also means extended collaboration in research and product development and evaluation of new joint products. Probi's investment amounted to about NZD 9 m, which means an ownership of about 13%. Through the investment, Probi became the second largest owner of Blis and will have its own board representative in the company. The share acquisition was financed with cash and cash equivalents.

Blis Technologies Ltd

Blis Technologies Ltd is a New Zealand company listed on NZX. The company had sales of NZD 10.6 m in the split financial year 2020-21. Blis offers bacterial strains in the areas of ear, nose, throat and oral health, among others.



Why you should invest in Probi



Increased demand for probiotics

Strong global trends continue to drive demand for probiotic products. The market for probiotic supplements is expected to grow globally by almost 20% by 2026.



Strong focus on growth

Probi aims for strong growth and with one of the market's most extensive portfolios of probiotic products, has the right conditions for continuing to increase its market presence in key markets. Strategic partnerships and acquisitions will complement organic growth.



World-class research and development

Probi has unique skills with its own experts in research and development, over 400 patents and 11 published clinical studies over the past 5 years. We are at the forefront of research and development in probiotics – a position we will never let go.



Own efficient production

Probi has an efficient, state-of-the-art manufacturing process at its own facilities, which gives control over the entire value chain. This ensures top quality products and deliveries according to market requirements.



Probi contributes to a healthier life

With a business based on science, Probi works in accordance with its mission – to offer top-quality probiotic products that contribute to a healthier life and better health for people worldwide.

Our global partnerships are the key to growth

2021 was a year with many bright spots but also certain challenges. Despite a challenging external environment, we had our second best-year-ever in terms of sales. During the year, we entered into a number of global partnerships that will be important for us to achieve our growth goals in the future. Our manufacturing facilities have received a major upgrade, which is the key to both improved profitability and a more efficient use of resources. During the year, we formulated a clear sustainability strategy that is integrated with our three strategic focus areas.



"It's an honor to have some of the world's largest healthcare companies choose us, Probi, as their partner for scientifically proven probiotics."

Tom Rönnlund
CEO

Reversed market conditions

After a strong 2020 with a clear pandemic-related increase in demand, 2021 was a weaker year in our largest region, the Americas. The market normalized to some extent and in some cases we could also see the effects of stock accumulation among customers that affected demand for our products. Overall, we are not satisfied with the performance of our American operations, even though the year featured both successes and setbacks. Our largest customer performed well and we also added new, attractive customers, who will be important for our continued growth. At the same time, we lost a couple of major customer orders during the year, which contributed strongly to a weak outcome in the region for the full year. Our ambition to increase sales in the Clinbac™ segment in the region yielded results and market share increased during the year, although from low levels. The Americas will continue to be our most important market and we therefore have a strong focus on returning to growth.

The EMEA region had its strongest year ever with a good performance among our new customers and also a strong recovery among existing customers after a 2020 affected by the pandemic. We are particularly proud of our collaborations with Perrigo and Oriflame, leading companies in their respective markets and recognized for their focus on products with high quality and scientific evidence. The successful launch with Perrigo strongly contributed to the good performance in the region. Oriflame is another very exciting partnership where we have developed a new concept together with Probi Digestis® in their Wellness segment for launch in a lot of countries. We strongly believe in this type of long-term partnership where we

jointly develop concepts for a large market.

The performance in APAC recovered after a relatively weak and pandemic-affected 2020, but our ambition is higher. Sinopharm Foreign Trade, which is one of our most exciting partnerships ever in the region, was completed during the year. The collaboration involves the launch of three of our clinically validated bacterial strains in the Chinese market, which is an incredibly large and important market in the region. We saw strong growth in China in 2021 and we are convinced that this trend will increase in the coming years.

Partnerships with acquisitions

Our strategy for growth includes both strategic partnerships and acquisitions. In 2020, we invested in Vital Nutrients and in 2021, we followed that up with another investment and strategic partnership with New Zealand's Blis Technologies. Blis is a company we know and have collaborated with before. The investment in the company includes an in-depth partnership through a licensing and manufacturing agreement and which also helps us to broaden our portfolio in the ear, nose and throat areas. During the second half of the year, we worked intensively with the technological transfer of production and joint product development.

Important steps towards more health areas

Our strategy of being a leader in research and innovation remains unchanged. Our largest area will continue to be gastric and immune health, but we are exploring other areas as well, on our own and through partnerships. One such area is women's health and during the year we began an exciting

collaboration with the Estonian company Tervisetehnoloogiate Arenduskeskus AS (Competence Center on Health Technologies). The collaboration gives us access to a library of bacterial strains and we aim to be able to develop clinically validated probiotic strains for vaginal health.

During the year, we also started important studies in gastrointestinal health in collaboration with clinics in China and started a new study in bone health in collaboration with La Trobe University in Australia.

We have continued to be very active in scientific publications and during the year published three clinical studies, one of which was our first ever tolerance study on newborn babies. The study showed good results and we see that this can be an attractive target group in the long-term.

Upgrading increases capacity and profitability

The major upgrade of our manufacturing facility in Redmond in the northwestern US, which began in late 2019, was in principle completed during the year. We see that there is still some fine-tuning to be done to further streamline production, but we can state that the upgrade has already yielded significant efficiency gains. At the end of the year, we were able to increase production capacity, which contributed to a clear improvement in profitability. The upgrade has also meant important sustainability gains with lower resource consumption, especially water.

Formulated sustainability strategy

Sustainability has always been a central part of our business. To clarify this, we formulated and decided on a sustainability

strategy during the year to ensure that the sustainability agenda is included in all three of our strategic focus areas with concrete action plans. The purpose is to have a sustainability framework that ensures that all our activities contribute to the UN's global sustainability goals, Agenda 2030. In 2022, we will continue with our sustainability work and develop clear goals for the business.

We continue to actively evaluate acquisitions

We have worked intensively during the year evaluating several potential acquisitions and actively participated in processes. There is a lot of competition for these really interesting objects and we can state that the range is also sometimes limited. We continue to look actively for businesses that can complement Probi both geographically and in new health or product areas.

The world affects us

Recent years have been revolutionary with the effects of the Covid-19 pandemic. We have parried this challenge well with several new partnerships and the upgrading of production facilities laid the foundation for improved profitability. Demand for probiotics is high and there are still many exciting areas of research and development. We are concerned about what is happening in the world and are appalled by the war in Ukraine. Our exposure to Russia and Ukraine is limited and we currently judge that the effects at both supplier and customer levels are small. At the same time, we realise that this may change, but at the time of writing, we nevertheless think conditions look bright for continuing on our journey towards growth in 2022.

Tom Rönnlund, CEO

Probi – First in Probiotics

Business concept

Probi's business concept is to be a vertically integrated global probiotics group which in close collaboration with its customers develops, manufactures, markets and sells probiotics with scientifically documented health effects.

Business model

Probi is a vertically integrated global probiotics group working with all parts of the value chain from research and development to sales. Our customers are leading global and regional health, pharmaceutical and food companies, that sell and distribute to the end consumer. With its own manufacturing and packaging capacity, coupled with external manufacturing collaboration, Probi can offer its customers a unique flexibility in terms of volume, quality, product format and packaging.

R&D and clinical studies

We are constantly exploring new bacterial strains and new health areas for existing bacterial strains. Through clinical studies, we then demonstrate the health effects our products can have before we move on to product development. Both our research and development of new products are often based on close dialogue with our customers as well as external and internal analysis of market needs and health trends.



Customized format

Product development is based on the customer's needs and products are adapted to the demand of health areas, product formats, volumes and packaging. Needs vary between different customers and regions, but through integrated and agile processes we can offer completely customized concepts and volumes. Bacteria are sensitive to external influences such as temperature, physical handling and humidity. The design of the product's format is therefore a critical element in the development of a new product.



Production

Probi has a fully integrated production chain, from fermentation to final packaging of the products. In the fermentation process, the various bacterial strains are developed and produced. By combining our in-house manufacturing with external third-party production, we can customize product formats and offer different mixtures of bacterial strains while maintaining a high-volume capacity.



End product

Depending on the customer's wishes, the end product is produced in different formats, such as powders, tablets or capsules. We can offer deliveries in both large bulk volumes and ready-made consumer packaging.



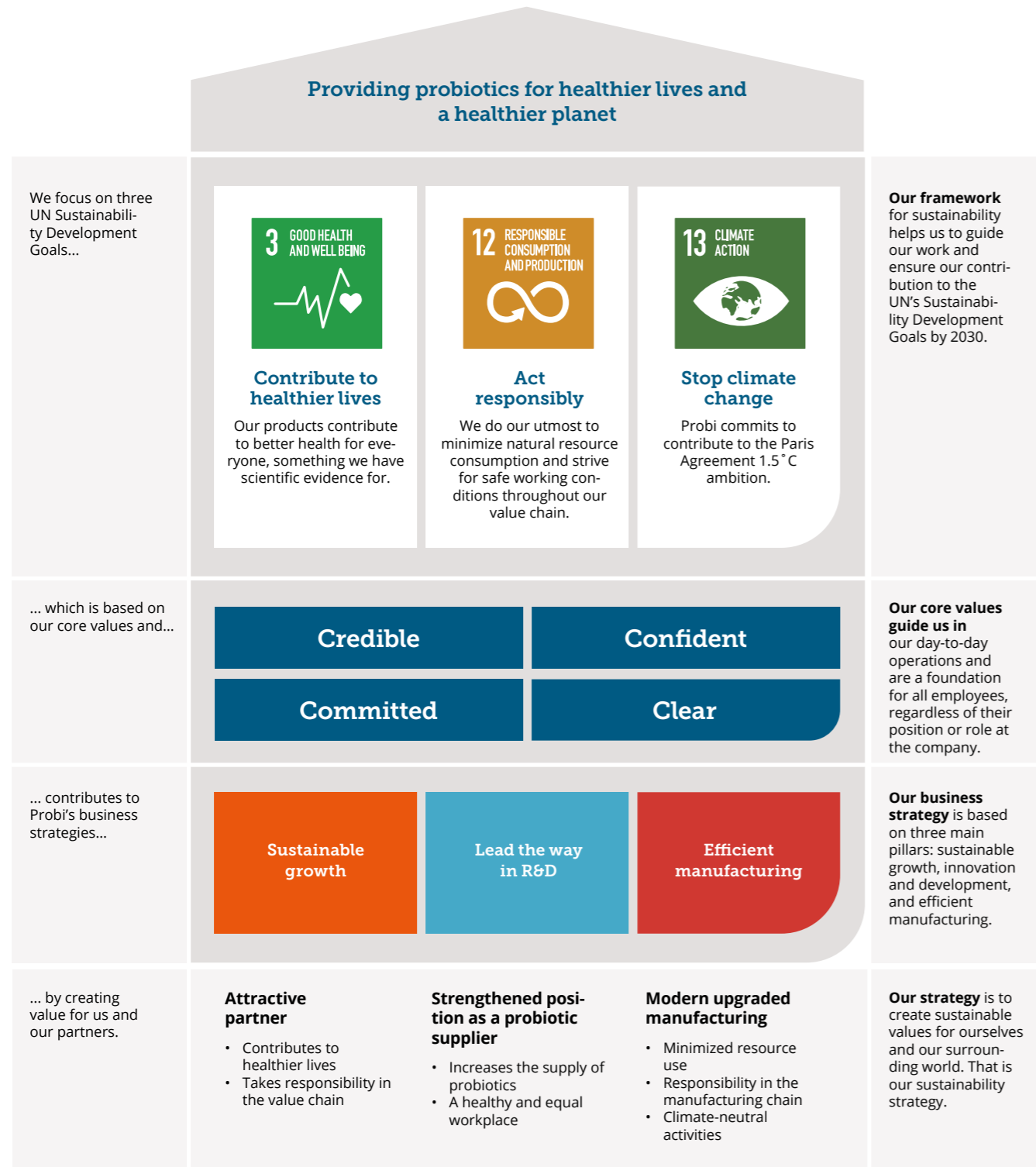
Consumers

Probi does not have its own distribution or sales directly to consumers. This is managed by our customers and partners. Probi enjoys a close dialogue with both of these and thereby obtains important information about needs and behavior in the consumer market.

Customer/Partner

Probi's strategic sustainability work

Sustainability is at the core of Probi's business. To clarify this, a new sustainability strategy and new long-term sustainability goals were adopted in 2021. The starting point for Probi's new sustainability strategy is the company's vision to improve people's well-being around the world. The strategy aims to ensure that sustainability is part of all our activities and is at the cornerstone of our strategic business development.



Goals and goal achievement

Probi's overall goal is to grow sustainably while achieving good profitability. We will take advantage of the competitive advantages we have by being a global vertically integrated probiotic group with a strong portfolio of scientifically validated products.

Financial targets

Doubled sales with good profitability

Target	Outcome 2021
Double the company's annual sales within five to seven years through a combination of organic growth and strategic acquisitions. The target is for annual organic sales growth to exceed 7%.	Organic growth was -8% (15). -8%
The EBITDA margin will amount to or exceed 29% on an annual basis.	The EBITDA margin was 28% (27). 28%



CFO's comments **Weak Americas, strong, record EMEA**

Net sales fell by 8% in 2021, corresponding to a decline of 3% when adjusted for currency effects. This development is explained by the Americas region, which in 2021 showed slightly weaker underlying demand and a couple of customer orders that did not materialize. The EMEA region had a record year and rose by 17% while the APAC rose by 7% in 2021.

The EBITDA margin improved slightly to 27.7% compared to the previous year, partly due to a strong final quarter with a high gross margin of 48.6%. Improvement in the margin is closely linked to an increase in self-produced volumes.

Henrik Lundkvist

Goals for sustainability at Probi



VP HR & Sustainability's comments **Important decision on new sustainability strategy**

During the year, we decided on a new sustainability strategy with the aim of Probi contributing to the UN's global sustainability goals by 2030. Our sustainability work focuses on three goals: (No. 3) Contribute to healthier lives, (No. 12) Act responsibly and (No. 13) Stop climate change. It is important for us for our sustainability work to be integrated with the entire business and our three strategic focus areas within growth, innovation and development, and manufacturing. Work in 2021 focused on identifying where in our processes and in the business we can make the greatest impact.

We have now taken an important step forward and in 2022 will continue to develop our sustainability work, supplementing it with clear and concrete goals and measure the outcomes. We will also ensure that we have clear governing documents to monitor and measure sustainability work. As the sustainability strategy is implemented, it will thus be a natural part of our regular business planning and goal monitoring.

Basudha Bhattarai Johansson

Increasing health awareness continues to drive demand for probiotics



Globally, retail sales of probiotic supplements amounted to nearly USD 7 bn in 2021. Between 2021 and 2026, the expected annual average global growth rate will be around 3.7% according to the International Probiotics Association (IPA). Demand for probiotics in the form of fortified foods is expected to remain high due to greater interest and awareness of the link between health and the body's gastric system. The global pandemic has been a major driving force behind this increased interest, which has been seen in leading e-commerce platforms.

North America

North America is still the single largest market for probiotic supplements and accounts for around 34 % of the total market. According to IPA, growth between 2021 and 2026 is expected to be limited. However, interest in the consumer market for probiotics remains and studies conducted by Lumina Intelligence show that online searches for probiotics linked to areas such as skin health and supplements for animals are increasing sharply. The Nutrition Business Journal identifies health areas such as sleep, mental health and stress, as areas that may eventually drive growth in probiotic products.

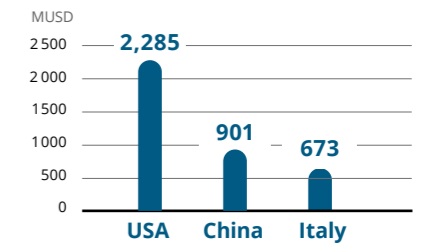
EMEA

Europe, the Middle East and Africa (EMEA) together account for about 27 % of the market for probiotic supplements. Europe dominates with almost 25 % of global consumption. Annual average growth is estimated to be about 3 %. Italy is the world's third largest market for probiotic supplements with sales of USD 673 m and the average annual growth is estimated to be 5 % between 2021 and 2026. Italy is also the country with the highest consumption of probiotic supplements per capita.

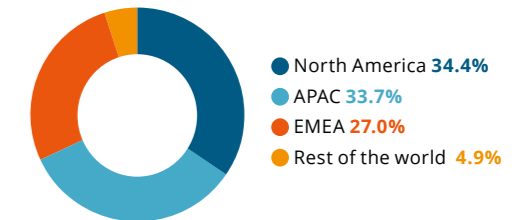
Asia Pacific

This region is growing steadily and in 2021 accounted for almost 34 % of the market for probiotic supplements. China dominates and is the world's second largest market with an expected annual average growth rate of 10% between 2021 and 2026. Countries that have also contributed to the growing market in the region are Vietnam, Thailand, the Philippines and Malaysia.

The world's three largest markets for probiotic supplements in 2021

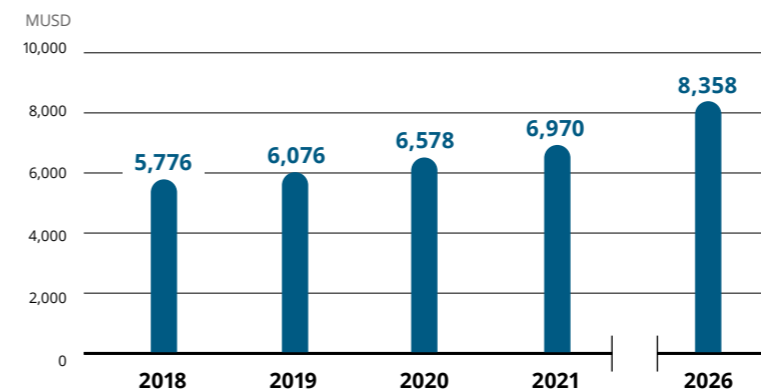


Distribution of sales of probiotic supplements in the world 2021



Source: IPA Euromonitor 2021

Total market for probiotic supplements



3.7%

Expected annual global growth of probiotic supplements 2021-2026

Trends driving the market for probiotics



The global pandemic has created a continued focus on preventive health products

The global pandemic has led to a sharp increase in demand for products that can strengthen the immune system.

→ A study commissioned by the Natural Marketing Institute¹ has shown that the consumption of probiotics rose very sharply during the pandemic, and among American consumers the intake of probiotics increased by as much as 66%. In Europe, Italy showed an increase of over 188% in new users of probiotics. China, the world's second largest market for probiotics, saw a 108% increase in mid-2020 compared to the previous six months. This increased consumption of probiotics during the pandemic was largely through e-commerce.

¹Study conducted by DuPont Nutrition & Biosciences in collaboration with the Natural Marketing Institute. Published in Nutritional Outlook October 23, 2020.

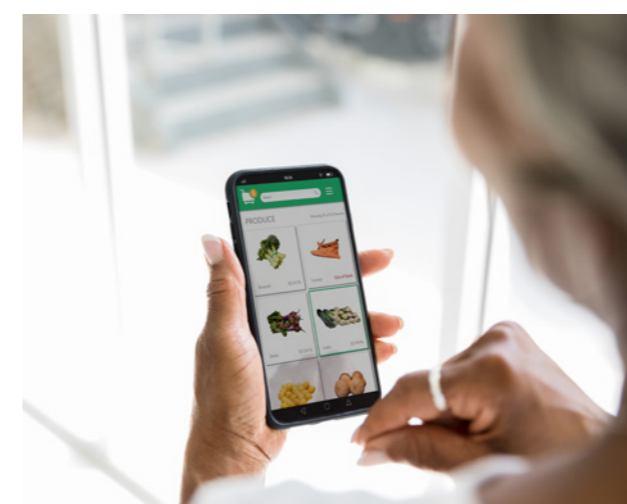
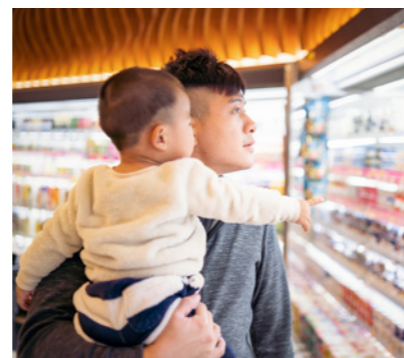


Consumption of probiotics rose sharply during the pandemic, and among American consumers the intake of probiotics increased by as much as 66%

Higher global purchasing power and standard of living

The standard of living is increasing in many parts of the world and the middle class is growing in large parts of the world, especially in Asia.

→ The Western lifestyle has spread around the world in the past few decades, as have social diseases where people become ill due to stress, a sedentary lifestyle and poor diet. The interest in one's own health and self-care combined with greater purchasing power has increased the demand for products with positive health effects, such as probiotics as dietary supplements, or in functional foods. This increased interest in probiotics is particularly evident in millennials. It is a group that is aware of and has a great interest in health. This can clearly be seen through statistics from various search engines where this group's searches linked to the immune system and probiotics have increased sharply.



New distribution channels

→ A survey¹ shows that sales of probiotic supplements through e-commerce is a trend that will continue to increase. Amazon, pharmacies' digital trading outlets and local online retailers have been identified as important channels. Growing e-commerce is a consequence of increased digitization where consumers today search for information about health and other self-care online and in social media. When the global pandemic has subsided and physical encounters are possible again, new channels are forecast to appear. In Asia, for example, various international players have begun to market their products through "social selling" or network sales, a phenomenon that has increased in recent years according to the industry magazine NutraIngredients.

¹Netscribes report "Global Probiotic Supplements Market 2018-2027"

The population is getting older

Life expectancy is increasing. Over the past 20 years, global life expectancy has increased by more than 6 years to 73.4.

→ At the same time as the world's population is ageing, there is a need for us to stay healthy for longer and reduce the risk of diseases caused by unhealthy lifestyles. In 80 years, more than a quarter of the world's population will be over 65². Research shows that our intestinal flora ages with us and as age increases it becomes more easily imbalanced, which can lead to various inflammatory diseases. Products with probiotics have proven to be a good method of counteracting this imbalance and improve health. For older women, bone health is also an area where probiotics have been shown to have positive effects. As in other age groups, there is greater interest in self-care and well-being in this group. The group also has a lot of purchasing power and is driving interest in probiotic products.

²WHO, 2020



Antibiotic resistance an increasing threat

→ According to the WHO, antibiotic resistance continues to increase, which poses a major threat to the possibility of the effective treatment of common infectious diseases. One way to reduce this risk is to reduce the use of antibiotics in viral infections such as colds and flu, where they are not effective. Another way is to work preventively. Studies have shown, among other things, that preventive treatment with probiotics strengthens the immune system and can reduce the need for antibiotics in children. The older and larger the world's population becomes the greater the need for effective treatment of infectious diseases and thus the need to avoid antibiotic resistance.

Market players

The players on the global probiotics market often have a global presence through well-established collaborations and partnerships. There are many different forms of delivery and distribution collaborations between the various players. In recent years, there has also been a certain consolidation in the industry. Pharmaceutical and ingredient companies have acquired probiotic companies, which indicates an increase in interest from nearby industries. Many key players in the market are also increasing focus on reaching the Southeast Asian markets and the large target group of consumers in the region.

The market consists of players in research and development, manufacturing companies, and also sales companies and partnerships that run a brand. A number of players are also integrated and active in the entire value chain within B2B. Probi is one of the leading companies globally, but unlike some of the other leading players, focuses exclusively on probiotics. Chr.Hansen, IFF/DuPont and Lallemand are examples of leading global players. Most other players are geographically focused on a specific regional market.

Probi is a growth company with the goal of doubling sales within five to seven years



GOAL:
DOUBLED SALES

Probi's growth goal is to double sales within five to seven years. Probi continues to invest significant resources to increase its presence in important emerging markets. Growth is generated through both new customers and in-depth collaboration with existing ones. In 2021, a number of new collaborations were started with customers who are expected to contribute to Probi's growth in Asia and Europe.

Organic growth will be complemented by long-term strategic partnerships and acquisitions in relevant areas. The partnership with Blis, which began in 2021, gives Probi the chance to offer its customers products in new health areas. Probi has one of the market's most comprehensive portfolios of probiotic products. Probi ClinBac™ is Probi's exclusive, patented health concept with clinically well-documented probiotic strains. In the area of Probi LiveBac®, Probi offers a wide range of active probiotic strains for applications in dietary supplements and food products. The breadth of Probi's product range makes Probi attractive for more and more customers in the different segments of the probiotic market.

Sustainability



Good health and well-being

Millions of people suffer from health problems that can be improved with probiotics. Probi's growth strategy enables more people to have access to probiotics and thus improve their health.

How we will achieve our goals

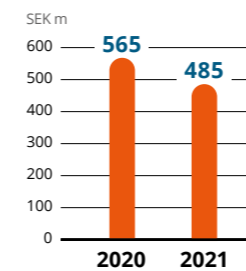
- > Improved position in scientifically validated products for gastric and immune health
- > Stronger presence in growth markets
- > Increased number of key global customers
- > More strategic partnerships and acquisitions in relevant geographies and segments

What we achieved in 2021

- ✓ A strategic partnership started with one of China's largest pharmaceutical and healthcare companies for the launch of three of Probi's ClinBac™ concepts on the Chinese market.
- ✓ A strategic collaboration started with the international beauty company Oriflame. The first step is a global launch of a probiotic dietary supplement in gastric health based on Probi Digestis®.
- ✓ Initial deliveries to Perrigo under an agreement covering the launch of Probi's ClinBac™ concept in 14 European countries.
- ✓ A long-term strategic partnership started with the New Zealand company Blis. The collaboration means that Probi will have access to a portfolio of clinically documented bacterial strains within the ear, nose and throat sectors. Probi therefore continues to broaden its portfolio and grow in new health areas with scientifically validated products. Probi and Blis will also collaborate in research and product development to develop new joint products.

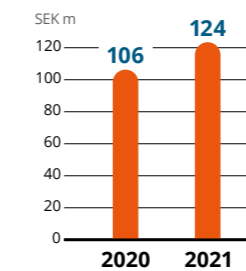
Sales per region

Americas



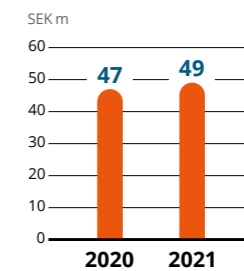
-14%
Growth 2021

EMEA



17%
Growth 2021

APAC



7%
Growth 2021

Probi is a partner who shares our view on contributing to people's health and well-being

INTERVIEW WITH Lene Visdal-Johnsen

Senior Manager, Strategic Partnerships, Science & Innovation, Oriflame



“In Probi, we have a partner with the drive to develop products that really work and where the scientific foundation is a matter of course.”

In 2021, Probi entered into a strategic partnership with the international beauty company Oriflame for the global launch of a probiotic dietary supplement in gastric health. The launch of the product is a first step in a long-term collaboration between the two companies.

Oriflame was founded in the late 60s based on the idea of developing beauty products inspired by Swedish nature and based on research. Oriflame is today present all over the world and sells its products through independent beauty consultants. When Oriflame needed a partner for its product development in the rapidly-expanding product category Wellness, they sought

a company with responsible research and a clear willingness to help people improve their health. At an early stage in the dialogue, it was clear that the holistic view of the human well-being and scientific foundation united Probi and Oriflame.

“In Probi, we have a partner with the drive to develop products that really work and where the scientific foundation is a matter of course,” says Lene Visdal-Johnsen.

Probi and Oriflame have jointly developed a probiotic dietary supplement based on Probi's concept Probi Digestis® with scientifically documented health effects that have then been adapted to Oriflame's needs.

Oriflame

Oriflame was founded in 1967 and is an international, direct-sales beauty company with sales in over 60 countries and a turnover of over EUR 1.5 m per year. Oriflame has a wide product range of innovative, Swedish beauty products inspired by nature. These products are marketed by over 3 million independent Oriflame consultants.

“Oriflame has a holistic view of beauty and health. Nutrition, vitamins and supplements that are added to the body are important parameters for a healthy lifestyle and affect external beauty. It is therefore important to also offer our customers this type of product and in Probi we have a reliable partner with whom to continue to develop our range in health,” says Lene.

“In addition to Probi's solid experience in producing research-based and top-quality probiotics, Probi also shares our ambition to actively improve people's health and lives in a natural way,” concludes Lene.



The partnership with Oriflame is an important stage in Probi's strategy to grow and reach out globally with clinically documented products.

“Through this collaboration, we will reach completely new target groups and markets, which at the same time places higher demands on us as a company,” says Mia Hogenius, Senior Business Development Manager at Probi.

Oriflame is a company with a strong commitment to the environment and natural materials, and as early as 2011 they launched the EcoBeauty concept in a unique collaboration with a number of independent global

environmental organizations, such as Fairtrade and the Forest Stewardship Council.

“Oriflame's commitment to sustainability inspires us in our own sustainability work. This is evident in our new sustainability strategy, where we clarify our work and raise our level of ambition,” Mia explains.

“The partnership with Oriflame is an important stage in our strategy to grow globally with our clinically proven products.”



Mia Hogenius
Senior Business Development Manager, Probi

Focusing strongly on scientific grounding, we are constantly evaluating new areas of health

GOAL:
LEAD THE WAY IN INNOVATION AND DEVELOPMENT

Probi's scientific foundation and investment in clinical research has resulted in Probi currently having four clinically well-documented main areas in gastric health, immune health, bone health and iron absorption, and over 400 approved patents. Research and development is a time-consuming process, which is why Probi sees many advantages in collaborating with external partners. Given the solid knowledge and scientific foundation that exists at Probi, we often receive offers for collaboration that lead to research projects with both industry partners and independent university groups. Probi is research-driven and continuously evaluates new functional areas within probiotics. In addition to Probi's main areas, research is also conducted in areas such as women's health, cardiovascular disease, skincare and stress and mental health. Probi places high ethical demands on its research and follows local and international regulations as a matter of course.



Good health and well-being
Many health conditions can be improved with the right form of probiotics. By offering our scientifically documented products, Probi contributes to better health and well-being in the world.

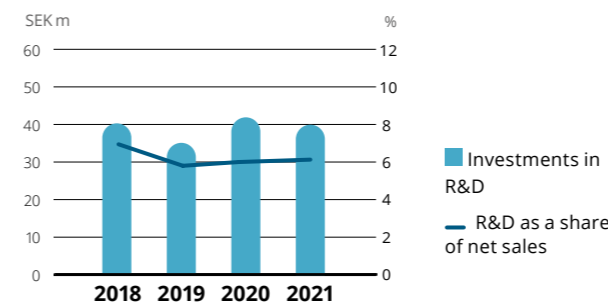
How we will achieve our goals

- > **Extended range with more clinically documented offers**
- > **Increased number of international research collaborations**
- > **Evaluation of growth opportunities in areas related to probiotics**

What we achieved in 2021

- ✓ In 2021, Probi published three scientific studies.
 - In the field of iron health, *Lactiplantibacillus plantarum* 299v (LP299V®) has been shown to be effective in improving the iron status of pregnant women and thereby reducing the need for iron supplements.
 - In bone health, Probi® Osteo has proved to be effective by contributing to the maintenance and strengthening of bone mass even when bone degradation has started.
 - We have also conducted and published one of the first ever tolerance studies on newborn babies. The study was conducted with two different bacterial strains and showed good tolerance in them.
- ✓ Together with the Estonian company Tervisetechnoloogiate Arenduskeskus AS, Probi has entered a long-term research and development collaboration in the field of vaginal health. We can see a great market need in this area and as part of the collaboration, Probi will have access to a unique library of proprietary bacterial strains.
- ✓ In 2021, 43 new patents were approved.
- ✓ Two clinical studies, in gastric health and bone health, became active in 2021.

Investments in R&D



Number of published studies in the last five years:

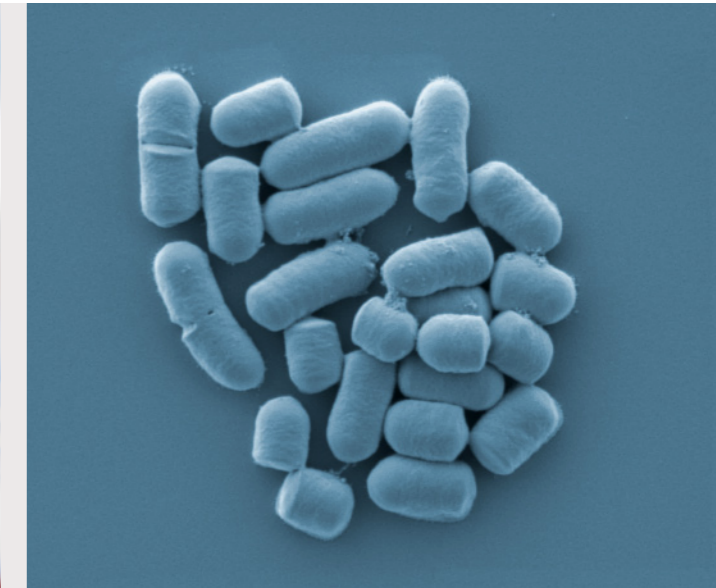
- 3** in gastric health
- 3** in iron absorption
- 2** in immune systems
- 1** in bone health
- 2** other

416

Approved patents covering Probi's most important markets in the world

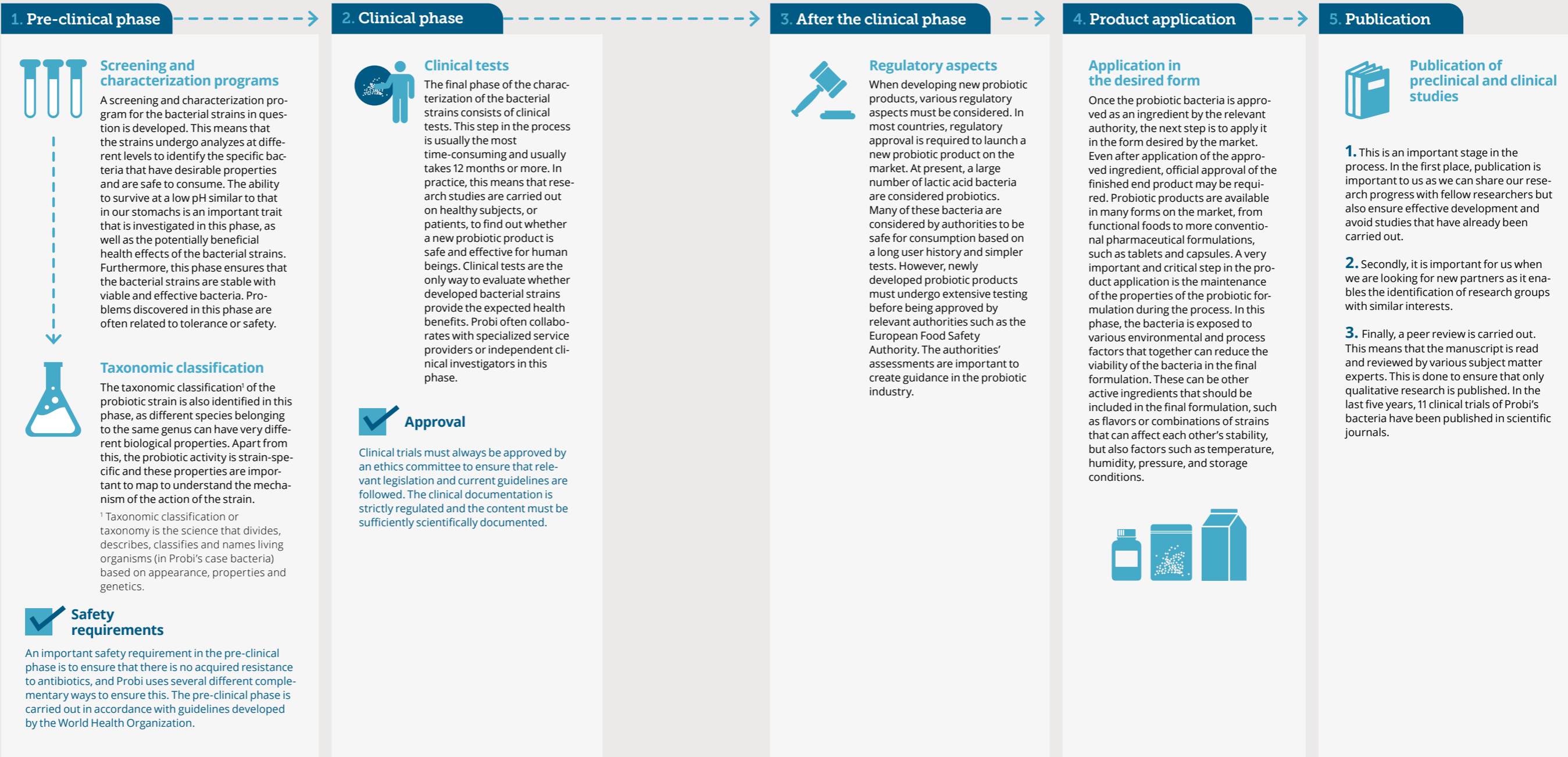
The research process at Probi

Probi carries out research in a number of different areas linked to probiotics. With Probi's strong focus on scientific foundation, unique expertise has been built up and new functional areas are continually being evaluated. It is through Probi's drive to clinically validate and secure the results that Probi has taken a leading role in probiotic research and development.



Research and development process

Our research and development process is always based on identified needs in the market. The process only begins when there are sufficiently strong scientific reasons to develop a probiotic product for the identified need, as well as we see that there is an evident commercial opportunity. Development is often done together with one of our academic or industrial partners. The whole process of developing a new probiotic product from start to finish can take anywhere from two to five years, sometimes longer.



We have a modern, efficient manufacturing process that can deliver top-quality probiotics

GOAL:
MANUFACTURING EXCELLENCE

Through consistent work and a structured process for continuous improvement, Probi has a manufacturing process today that can deliver probiotics with the quality Probi's customers demand. With its two production facilities in the USA, Probi has a fully integrated production process. Probiotic fermentation and freeze-drying of probiotic cultures are done at the facility in Redmond, Washington. The freeze-dried powder is then processed into consumer-ready end products at the Lafayette, Colorado plant. Probi offers a wide range of probiotic products through its in-house manufacturing or in collaboration with strategic partners. All manufacturing takes place in accordance with good manufacturing practice¹ (GMP) and Probi is regularly inspected by customers, partners, authorities and independent third-party auditors.

¹ GMP: Good Manufacturing Practice. Regulations governing the manufacture, including packaging, of medicines, food and health food.



Sustainable consumption and production/ Combating climate change.

Probi must act responsibly throughout the value chain, minimize resource use and reduce greenhouse gas emissions. By investing in streamlining the manufacturing process, we will reduce our climate footprint and resource consumption.

How we will achieve our goals

- > Facilities with guaranteed top-quality production capacity adapted to market needs
- > New production opportunities in growth regions
- > Focus on improved long-term gross margins

What we achieved in 2021

- ✓ During the year, Probi continued to upgrade the facility at Redmond, Washington and today has an efficient and flexible process in place. One example is the rapid adjustment that was made for the production of the probiotic strains covered by the collaboration with Blis.
- ✓ Our in-house manufacturing has reduced the risk of disruptions in the supply chain and also gives us opportunities to increase margins for finished products and sales of raw materials.
- ✓ Various adjustments have been made in the cooling system of the fermentation process, which has led to a reduction in water consumption of around 60%. This is an important stage in Probi's sustainability work.

REDMOND, WASHINGTON

Probiotic fermentation and freeze-drying of probiotic cultures.

LAFAYETTE, COLORADO

Processing of bulk powder, mixing and production of consumer-ready end products.



In-house production gives us continual control over our environmental impact

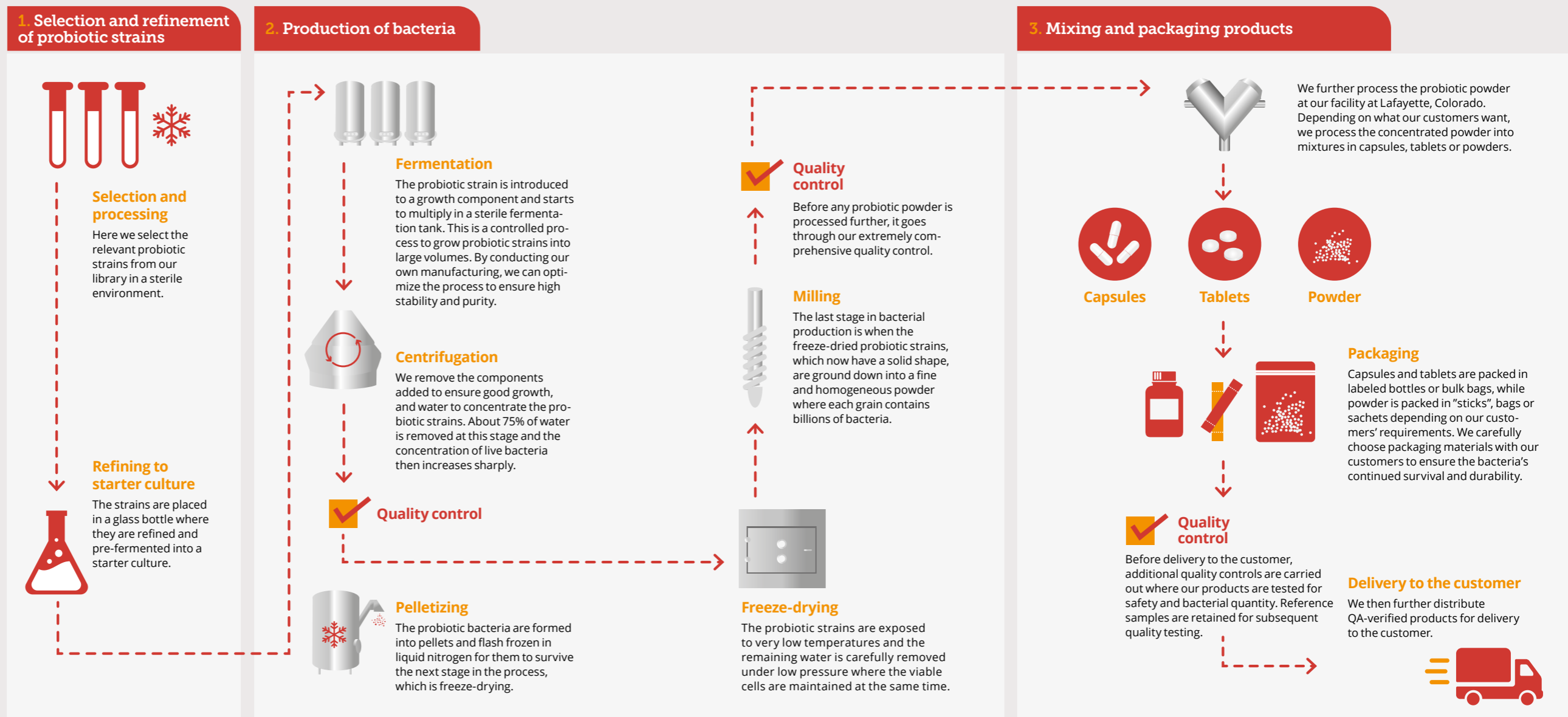
During the year, we continued the planned upgrades of the manufacturing facility at Redmond, Washington. With a modern, efficient production process in place, we have created the best conditions for manufacturing the next generation of probiotics. We have great ambition and established goals for our sustainability work. An important part of this is to lower the environmental impact of our production. With the upgrades we have carried out in specific parts of the fermentation process at our plant in Redmond, we have reduced our water consumption by around 60%.

How we manufacture our probiotics

A complex process with many critical phases.

To produce live, viable probiotics of the highest standard and quality, work is conducted at Probi's manufacturing facility in accordance with GMP. The process is inspected by third-party inspectors and verified during quality inspections throughout the production chain. Through this control system, we ensure quality, efficiency and safety for both probiotic cultures and products, as well as compliance with regulations for manufacturing food ingredients and dietary supplements.

The process starts at our manufacturing facility in Redmond, where we currently have our master strain bank. The strains are genetically verified and tested for safety, stability and that they have the correct properties for production. The strains are stored in large freezers at a temperature of minus 60° C (-76°F).



Our in-house manufacturing capacity is a competitive advantage

Through our in-house manufacturing capacity, Probi has control over its most important raw material. This also means that Probi has an internal expertise and can continue to develop the already innovative manufacturing process, which creates efficient business processes and increases long-term competitiveness.

Probi can offer a wide range of products and make quick adjustments to changes in the market by having full control over the fermentation process. The recent increase in demand for probiotics for oral health, and the strategic partnership with Blis, is a good example of how quickly Probi can adapt its production. Blis has developed clinically documented bacterial strains that strengthen the

immune system against infection in the mouth and throat. Blis used to have its probiotic strains produced outside the USA and then imported them. As a result of the collaboration, Probi will instead manufacture Blis' bacterial strains at Probi's own facilities, which will reduce both lead times and risk.

In-house manufacturing also gives Probi opportunities to increase margins for the finished products and sales of raw materials. The global pandemic has highlighted the vulnerability of long supply chains. In-house manufacturing reduces the risk of disruptions.

"We have had a very flexible approach where we have invested and rebuilt our manufacturing unit. It is built to enable sustainable and top-quality production and create conditions for the next generation of probiotics."

Andy McShea
Chief Operating Officer, Probi

Sustainability at Probi

The Probi sustainability report

This sustainability report refers to the financial year 2021 and concerns the parent company Probi AB (corporate ID number 556417-7540) and all units consolidated in Probi's consolidated accounts for the same period. The sustainability report has been prepared in accordance with the provisions of the Swedish Annual Accounts Act, chapters 6-8. The report consists of pages 28-41 and the account of Probi's business model and its links to sustainability on pages 9-10.

A natural progression of Probi's focus on health and well-being is to work towards sustainable business operations. Therefore, further steps have been taken in 2021 to move towards a sustainable future and meet the needs and aspirations of our stakeholders. This has resulted in a new sustainability strategy linked to the UN's 17 Sustainable Development Goals, with Probi focusing on three main goals.

Our primary mission is to make people healthier

At Probi, we are convinced that companies must operate responsibly towards society as a whole in order to maintain their position as companies. As it would be impossible to do business in a world rife with corruption, collapsed ecosystems and social injustice, all companies, both large and small, must work to protect social and environmental community values.

Probi's researchers and research groups around the world have published more than 60 human clinical trials on the LP299V® strain alone, primarily in the fields of gastric health and iron absorption. Studies document a positive correlation between probiotics and health benefits for gastrointestinal health, as well as for the immune system. Probi is thereby contributing to global health by offering quality probiotic products.

In order for Probi to contribute to the health of people around the world through our probiotics, the company must also pay attention to what affects people and communities, such as the environment, social justice and the way business is conducted. We also need to focus on attracting the talent of the future so that the company can continue to be at the forefront of probiotics research and a leading partner to international players in the probiotics industry.

Probi's work in providing probiotics to contribute to healthier lives and a healthy planet, along with fighting social injustice and corruption, is thus a prerequisite for our business. At the same time, our manufacturing, research and development, partnerships with our customers and the

profits we generate from our operations are central to our ability to continue to contribute to a sustainable society. Profitability is an important prerequisite for survival, which means, among other things, that Probi will be able to grow, employ more people and continue to invest in the business. To meet the needs and demands of our stakeholders, create a strong brand and gain competitive advantages now and in the future, Probi's business must be sustainable. Sustainability therefore goes hand in hand with profitability for Probi.

Our role in society is to make people healthier, says CEO Tom Rönnlund:

"Our approach to sustainability is incorporated into everything we do; we achieve growth by providing probiotics for healthier lives. We are driven by development to make sure our probiotics have positive effects on health in more areas. However, our manufacturing and production must take place in a sustainable way in order to also contribute to a healthier planet."

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Probi AB (publ), corp. id 556417-7540

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report for 2021 on pages 28-41 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in

scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A statutory sustainability report has been prepared.

Lund, 31 March 2022
Ernst & Young AB

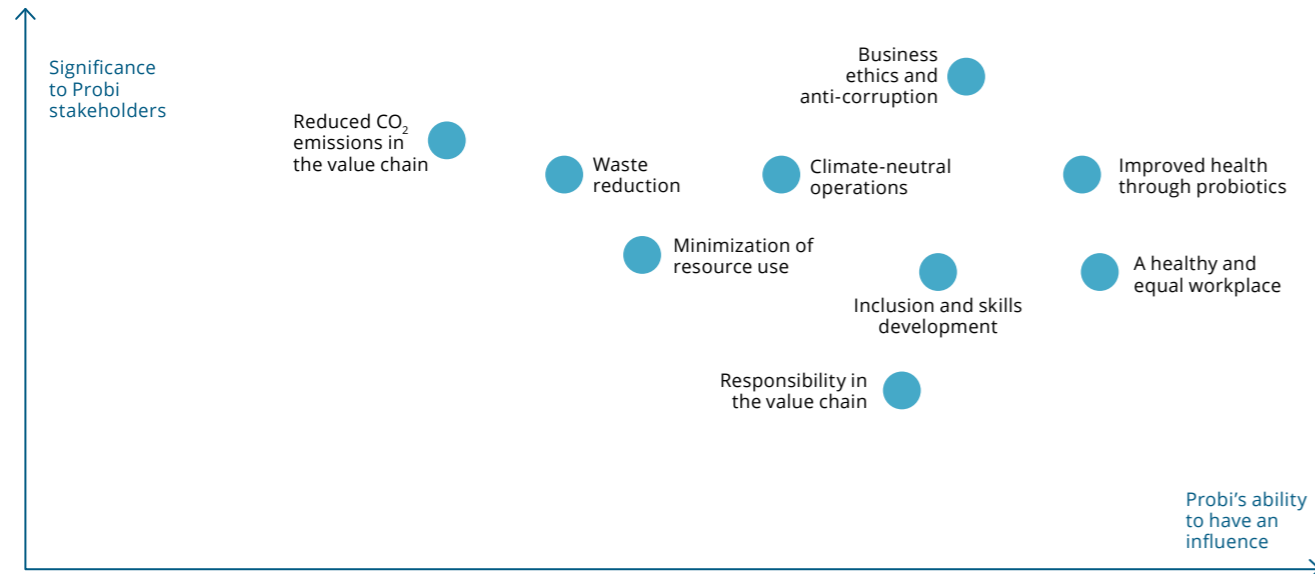
Peter Gunnarsson
Authorised Public Accountant

Our strategy is based on our stakeholders and UN goals

In 2021, Probi intensified its work on sustainability and adopted a strategy with objectives that also clearly contribute to the UN's global goals for 2030. The strategy and governance of our sustainability work is based on the key issues ("material sustainability issues") that stakeholders have identified and that Probi is able to influence. The key sustainability issues have been divided into three key areas of communication: Contributing to healthier lives, Acting responsibly and Stopping climate change. Probi conducts an ongoing dialogue with its stakeholders and has identified a number of issues that are important to stakeholders and where Probi is able to have an influence. The materiality analysis below is the result of Probi's assessment of these issues.



Materiality analysis results



Probi's stakeholders	IMPORTANT ISSUES	ANALYSIS
Consumers	Influence social and environmental issues in the right way. Companies must conduct business ethically. Consumers are interested in environmentally friendly packaging and its recycling.	Dialogue is conducted with the help of our customers. We strive to minimize emissions and waste from our operations through innovation and continuous investment in our production facilities and products.
Customers/ Partners	Want to buy services and materials from suppliers with the same values and ambitions. Want suppliers to have sustainability goals and strive towards a minimal carbon footprint. Suppliers must be transparent about the employment conditions of all employees in the organization and demonstrate processes that contribute to ethical business practices.	The Quality Assurance team performs audits of Probi's contract suppliers, making sure that the suppliers meet Probi's standards. In 2021, a Supplier Code of Conduct was also implemented. One of our sustainability goals is to ensure that all our suppliers have signed the Probi Code of Conduct by 2025.
Employees	Physically and psychologically safe workplace with good working conditions. The employer must take a stand on environmental and social issues and have an implemented sustainability strategy. The employer must provide opportunities to develop skills.	Probi continuously reviews and evaluates working conditions and safety. We constantly work for the improvement of health of the employees and encourage initiatives to promote health, safety and well-being.
Investors	Profitability, strong brand, products that meet needs both locally and globally both in the long and short term. Information on risk management and compliance with laws and regulations. Takes into account ESG (Environmental, Social & Governance) and how sustainability is integrated into operations.	Probi monitors trends, consumer behavior and demand for product content. We aim for a good ESG rating and a low risk profile in all aspects of sustainability.
Society/ Government	Increase the number of jobs and attract local investment. The type and amount of waste generated by the company and how it manages the waste. The value the company adds to society, along with tax revenues.	Probi always strives to comply with laws and regulations in the countries where the company operates and where its products are sold (regulatory issues). Through our growth, we have created more jobs in the regions in which we operate.

Our vision is to improve the health and well-being of people around the world

The starting point of Probi's new sustainability strategy is the company's vision to improve the health and well-being of people throughout the world. In Probi's day-to-day work – from probiotics research to manufacturing and new collaborations – a significant part of the sustainability work already takes place. The aim of the strategy is to ensure that sustainability efforts take place in all parts of the business and as strategically as Probi's business development in other spheres. Our work on sustainability helps us to achieve Probi's strategic goals and is supported by our "Four Cs" values.

The work on sustainability in three key areas, in which Probi has set ambitions, targets and an action plan. This sustainability framework helps guide Probi's work and ensure its contribution to the UN's Sustainable Development Goals for 2030. The work is monitored on an ongoing basis and progress and results are reported annually. As the strategy is implemented, Probi's work on sustainability will become a natural part of the company's normal business planning and strategy. Gradually, over the coming years, our ambitions will be complemented with concrete targets for the best management and results.

Providing probiotics for healthier lives and healthier planet

Contributing to healthier lives

Our products contribute to better health for everyone, something that is scientifically proven.

Acting responsibly

We do our utmost to minimize the use of natural resources and strive for safe working conditions throughout our value chain.

Stopping climate change

Probi is committed to contributing to the 1.5° C aim of the Paris Agreement.

Credible

Confident

Committed

Clear

Sustainable growth

Leading role in R&D

Manufacturing excellence

Our values

Probi's processes are structured around our "Four Cs" values. The HR department conducts quarterly employee surveys to gauge our employees' valuable opinions about the business.

"The people I work with get to be like a family, I love that there is room to grow in the company."

Quote from the latest anonymous employee survey.

Credible

We pride ourselves on our research, manufacturing capacity, internal cooperation and our approach to building lasting customer relationships. We provide the market with effective, quality-assured products. When customers and consumers use a Probi product, they should feel confident that it delivers what it promises. We always keep up to date within our fields and are trusted by customers, partners and employees. We place great emphasis on ensuring that our operations use safe processes and risk management tools.

Committed

Our customers and business partners can be sure of our full attention and support throughout the value chain. We will be dedicated to contributing to sustainable growth, make manufacturing of our products more efficient and reducing our carbon footprint.

Confident

We pride ourselves on the quality we provide in our products and our ability to deliver what we promise every time. Our rich tradition of research, commercial success and innovative concepts and products sets the stage for Probi's future success. We are constantly looking for new opportunities, accepting challenges and embracing change in order to be "First in Probiotics" and a leader in R&D.

Clear

We encourage honesty throughout our business, both internally and externally. Probi attaches great importance to business ethics and legal compliance. We present ideas, ask questions, encourage different perspectives and when a decision is made, we follow through with it.

Contributing to healthier lives



KEY SUSTAINABILITY ISSUES	
IMPROVED HEALTH THROUGH PROBIOTICS	
Long-term ambitions	<ul style="list-style-type: none"> By 2030, to increase the impact on well-being for everyone through the availability of scientifically-proven probiotic products. In partnership, to increase our effect on communities in need, through education, development, lending scientific expertise for research and development to promote health and well-being.
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> Consumers that are not provided with facts (proven products) but are inundated by products with no effect by competitors. <p>Opportunities</p> <ul style="list-style-type: none"> Millions of people suffer from health problems that can be improved with probiotics. Structured research and development contributes to science and documentation to demonstrate the health benefits of products to consumers. Partnerships with leading players in the health industry will spread awareness of Probi's high quality probiotics.
How we manage our work at Probi	<ul style="list-style-type: none"> Probi's vision. Probi's goals. Probi's strategies.
Initiative 2021, risk management	<ul style="list-style-type: none"> R&D investment/turnover (see page 21). R&D in a number of new areas (see page 21). Management of, for example, changes in consumer trends, competition, operations subject to permits, supply of goods and product liability (see pages 48-49). A number of new customers (see page 17).
Results in 2021	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>9% increase in sales of ClinBac™ products as of 2019.</p> </div> <div style="text-align: center;"> <p>>40 Number of countries in which Probi products are sold.</p> </div> </div> <div style="margin-top: 20px;"> <p>0 recalls of products in 2021.</p> </div>
Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Improved health (consumers, society). Increased access to probiotics, supported by science (consumers, society). Increased competitiveness and long-term revenue generation. Scientific backing for more health areas (consumers, partners, society, research).



“All companies, regardless of size, can contribute to making the world a better place. When Probi is helping people around the world to improve their health, we’re making fundamental contributions in society and showing that life and health are important.”

Basudha Bhattarai Johansson
VP HR & Sustainability

Our products contribute to better health for everyone, something that is scientifically proven

Quality, clinical trials

Probi's studies are performed in accordance with ethical principles, which stem from the Declaration of Helsinki and are consistent with the International Conference on Harmonization (ICH)/Good Clinical Practice (GCP), EU Clinical Trials Directive and applicable local regulatory requirements. As the bacterial flora is different in animals compared to humans, it is seldom relevant to test probiotics on animals.

Increased availability of Probi products

During 2021, Probi and Sinopharm, one of China's largest pharmaceutical and healthcare company, entered into a partnership to extend the portfolio of ClinBac products in the Chinese market. This partnership is an important step in our commercial efforts to offer clinically proven probiotic products to consumers worldwide and our expansion into China is important progress in establishing Probi's position in the high-growth APAC region.

Innovation and initiatives in the future

In 2020, Örebro University, in collaboration with Probi and nine other Swedish companies, was awarded funding for research into new needle-free vaccines delivered via mucosal routes instead of traditional injections. Researchers will develop different types of new vaccines and study vaccination through the mucous membranes. The project will involve the use of probiotic bacteria as carriers for the vaccine antigens in order to achieve immunity against pathogens.

Probi is continuously striving to develop and investigate new possible indications where probiotics may have positive effects on different health areas. We collaborate with both independent researchers and Contract Research Organizations (CROs). The approach is to perform clinical studies in order to investigate the positive effects of Probi's bacterial strains in humans. Probi conducts clinical trials in areas such as gastric health, iron absorption, immune health and bone health. This is linked to Probi's vision of offering products that improve people's health and well-being.

The ambition for the future is to target new consumer segments such as infants, children and athletes. We will build on existing concepts but also develop new products in areas such as bone health, immune systems, iron absorption and vaginal health. We will also add oral health as a new segment, through a partnership with Blis Technologies.

Acting responsibly



	KEY SUSTAINABILITY ISSUE																
	MINIMIZATION OF RESOURCE USE	RESPONSIBILITY IN THE VALUE CHAIN															
Long-term ambitions	To reduce resource use, especially water and energy, in manufacturing in the USA.	By 2025, all our suppliers will adhere to the established principles of safety, security, diverse and inclusive environments for employees.															
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> Unsatisfactory working conditions and unsustainable resource use by Probi's suppliers may have significant consequences on Probi's reputation and operations. Resources such as water and energy are finite and must be used responsibly. The prices of resources, transport, insurance premiums, et cetera, are affected by continued depletion of the earth's resources, which in turn affects profitability. <p>Opportunities:</p> <ul style="list-style-type: none"> A clear commitment in terms of the environment and human rights and Probi's impact on the world around us is fundamental to public confidence in Probi's contribution to human health and well-being. This is also relevant to Probi's continued development and ability to retain and recruit the best talent, and to meet the requirements that partners have of suppliers like Probi. 																
How we manage our work at Probi	<ul style="list-style-type: none"> Environmental policy. 	<ul style="list-style-type: none"> Supplier Code of Conduct. Employee Code of Conduct. 															
Initiative 2021, risk management	<ul style="list-style-type: none"> Upgrade program in Redmond, Washington. 	<ul style="list-style-type: none"> Regular audits of Probi's contractual suppliers In 2021, the Code of Conduct was sent out for signature to all contractual suppliers and the largest other suppliers. 															
Results in 2021	<p>WATER CONSUMPTION</p> <table border="1"> <thead> <tr> <th></th> <th>Megaliters</th> <th>Index¹⁾</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>29.33</td> <td>0.146</td> </tr> <tr> <td>2019</td> <td>27.60</td> <td>0.176</td> </tr> <tr> <td>2020</td> <td>31.72</td> <td>0.131</td> </tr> <tr> <td>2021</td> <td>20.18</td> <td>0.091</td> </tr> </tbody> </table> <p>¹⁾ Megaliters in relation to produced probiotic culture in KG in Probi USA.</p>		Megaliters	Index ¹⁾	2018	29.33	0.146	2019	27.60	0.176	2020	31.72	0.131	2021	20.18	0.091	<p>43% of suppliers to whom the Code of Conduct was sent signed it. This work will continue in 2022 and beyond.</p>
	Megaliters	Index ¹⁾															
2018	29.33	0.146															
2019	27.60	0.176															
2020	31.72	0.131															
2021	20.18	0.091															
Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Probi takes great responsibility for social and environmental issues (consumers, partners, society, employees). 																



	KEY SUSTAINABILITY ISSUE													
	A HEALTHY AND EQUAL WORKPLACE	ANTI-CORRUPTION, ETHICS AND INTEGRITY												
Long-term ambitions	Promote the DEI (Diversity, Equity, Inclusion) agenda and a safe and secure working environment for all employees.	100% compliance with the Code of Conduct and all other policies and guidelines in order to maintain the highest possible standards in ethics, integrity, honesty and fairness.												
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> Shortcomings in diversity, gender equality, work environment and employee health at Probi decrease the likelihood of recruiting talent, business innovation and increase the risk of accidents and sickness rates. Probi's reputation as an employer is damaged and this has a negative impact on profitability in the long run. Cases of corruption generally have a negative effect on business opportunities in society and would damage Probi's reputation and business position. Unethical management of clinical trials damages the Probi brand and confidence in the company. <p>Opportunities:</p> <ul style="list-style-type: none"> A clear commitment in terms of the environment and human rights and Probi's impact on the world around us is fundamental to public confidence in Probi's contribution to human health and well-being, to Probi's continued development and ability to retain and recruit the best talent, and to meet the requirements that partners have of suppliers like Probi. 													
How we manage our work at Probi	<ul style="list-style-type: none"> Whistleblowing function. Code of Conduct. Diversity policy and Discrimination policy. 	<ul style="list-style-type: none"> Whistleblowing function. Anti-corruption policy. Trade Sanctions policy. Insider policy. Code of Conduct. Employee training. 												
Initiative 2021, risk management	<ul style="list-style-type: none"> Training in Code of Conduct, diversity policy. Processes and routines ensure the fair treatment of all employees. Action plan with measures in the event of discrimination. Manufacturing facilities comply with OSHA (Occupational Safety and Health Administration) standards. 	<ul style="list-style-type: none"> Clinical trials are conducted in accordance with ICH/Good Clinical Practice (GCP), the EU Clinical Trials Directive and applicable national law. Employee training. Implementation of a new whistleblowing system. 												
Results in 2021	<p>5 work-related injuries resulting in 10 work days lost.</p> <p>Gender distribution</p> <table border="1"> <thead> <tr> <th>Group</th> <th>Men</th> <th>Women</th> </tr> </thead> <tbody> <tr> <td>Recruitment</td> <td>↑48%</td> <td>↑52%</td> </tr> <tr> <td>Executive Management team</td> <td>↑83%</td> <td>↑17%</td> </tr> <tr> <td>Managers</td> <td>↑60%</td> <td>↑40%</td> </tr> </tbody> </table>	Group	Men	Women	Recruitment	↑48%	↑52%	Executive Management team	↑83%	↑17%	Managers	↑60%	↑40%	<p>100% of Probi employees have signed the company's internal Code of Conduct.</p> <p>89% of Probi employees completed annual anti-corruption training.</p> <p>97% of selected Probi employees completed annual Trade Sanctions training.</p> <p>100% of Probi employees completed annual insider policy training.</p>
Group	Men	Women												
Recruitment	↑48%	↑52%												
Executive Management team	↑83%	↑17%												
Managers	↑60%	↑40%												
Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Probi takes great responsibility for social and environmental issues (employees, customers, consumers, partners, society). 													



We do our utmost to minimize the use of natural resources and provide safe working conditions throughout our value chain

Acting responsibly

The Probi Code of Conduct

Probi has an internal Code of Conduct that applies to all employees. This code covers, amongst other things, respect for human rights, equality and business ethics. The Code of Conduct has been signed by all employees and is part of the induction package for new hires. The document can be found on the Probi employee intranet.

Human rights

The Code of Conduct explicitly states that Probi shall not use child labor and/or forced labor and shall respect international conventions on human rights. This also applies to our suppliers and partners.

Purchasing, suppliers

Unsatisfactory working conditions and unsustainable resource use by Probi's suppliers may have significant consequences on Probi's reputation and operations. This can, moreover, affect business relationships, quality of products, the environment and, eventually, profitability. The Quality Assurance team performs audits of Probi's contractual suppliers, making sure that the suppliers meet Probi's standards. The contractual suppliers have to complete a "Supplier Questionnaire" where aspects concerning, for instance, sustainability are highlighted. In 2021, a separate Supplier Code of Conduct was also implemented.

Anti-corruption

Incidents of corruption could harm Probi's reputation and have a serious negative effect on Probi's business and financial position. Probi has adopted an Anti-Corruption Policy for the prevention, deterrence and detection of corruption. The policy applies to all employees at Probi, including managers, executive officers and members of the board of directors. Probi provides adequate training for all employees on an annual basis, and 89% completed anti-corruption training in 2021. Training will continue in the years to come to ensure the right level of expertise within the organization.

Whistleblowing function

In 2021, a new system was implemented to ensure the proper handling of incoming whistleblower reports. Both internal and external parties can use this channel to report irregularities or problems that have caused or could cause serious damage to the company and its stakeholders.

A healthy and equal workplace

Diversity & Equality

Probi's processes, policies and routines ensure the fair treatment of all employees. Probi's Code of Conduct and Diversity Policy determine essential principles related to equality and diversity. The organization also has an action plan for responding to discriminatory treatment which includes measures taken, depending on the nature of the situation. Equal treatment and equal opportunities must apply to everyone regardless of ethnic, social or national origin, skin color, disability, gender, sexual orientation, religion, political opinion, pregnancy or age. Probi respects its employees' rights to free association and collective bargaining. No employee should risk being harassed for exercising these rights. Probi advocates diversity and an inclusive culture. We recognize the importance of diversity and the role it plays in innovation, which is relevant for customers' needs and for being an attractive employer. There must be equality in employee development, pay review and parental leave. Probi strives to have an even gender distribution as possible in different positions. In addition, in its work the Nomination Committee has taken into account point 4.1 of the Swedish Code of Corporate Governance, which constitutes the diversity policy that the Nomination Committee has applied in preparing its proposal for the Board of Directors. The Nomination Committee has sought an appropriate composition, characterized by diversity and breadth of the proposed members' expertise, experience and background and an even gender distribution.

Health and well-being

Probi's vision is to offer products that improve people's health and well-being. Health is therefore an essential part of Probi's business and the organization is determined to create a good and attractive working environment for all employees. Probi looks at health from three different perspectives: physical,

mental and financial. Probi offers safe workplaces for all employees. All employees in Sweden are affiliated with the collective agreement IKEM. The company also follows local guidelines and regulations, performs regular inspections and implements measures to ensure a psychologically healthy work environment across the global organization. Probi's Four C values are used for guidance purposes in this work. Part of Probi's culture is to be a learning organization with a safe environment where employees are not afraid to make mistakes and have the opportunity to develop. To encourage health, Probi offers paid vacation days to all employees, including in the US and Asia. As an employer, Probi pays its employees a market wage and offers benefits such as pensions and other insurance in accordance with local regulations and practices. By offering fair compensation for work and benefits that promote employees' health, Probi creates financial well-being among its employees. Probi has processes for performance reviews and employee surveys. Probi offers various health benefits in order to improve employees' health and well-being. Healthcare in Sweden is largely tax-funded, a system that ensures everyone has equal access to healthcare services. In the USA and Asia, Probi pays a large portion of employees' premium costs for health insurance. Probi USA and Probi Asia-Pacific also provide long- and short-term disability coverage for all employees. Starting in 2021, Probi USA covers a portion of the premium costs for employees' family members. As an employer, Probi encourages activities such as employee clubs and team building, which have a positive impact on the working culture.

Occupational health and safety

Probi's manufacturing facilities comply with applicable OSHA (Occupational Safety and Health Administration) standards, have occupational health and safety systems in place and have appointed safety committees that meet on a monthly basis, where they for example identify safety issues, develop solutions to safety problems, review accidents and evaluate the effectiveness of the safety program. Probi USA also conducts risk analyses and has implemented a training program for the employees covering, for example, production and quality. The employees receive training in aspects including general manufacturing practices and personal protection equipment. Probi continuously reviews and evaluates working conditions and safety.

Focus on employees

In spring 2020, the world realized the speed of the spread of the Covid-19 virus, and it would soon be classified as a global pandemic. Probi was one of the companies to take swift action and, as in many other cases, a large part of the workforce was initially forced to work from home full-time. However, people around the world began to embrace the new circumstances and just over a year later the vaccine was ready for distribution, but the pandemic was not yet over. Probi took the opportunity to explore the option of allowing employees to work both from home and in the

office, according to their needs and wishes. In October 2021, Probi introduced, on a trial basis, a new work system: the Hybrid Working Model. Being able to choose where to spend your working day according to your tasks and needs is seen by many as the perfect solution to work-life balance. In this way, Probi is not only continuing to help reduce the spread of the virus, but also reducing the environmental impact of the daily commute. This new working model may even contribute to a better work-life balance for employees.

41 years

Average age

79

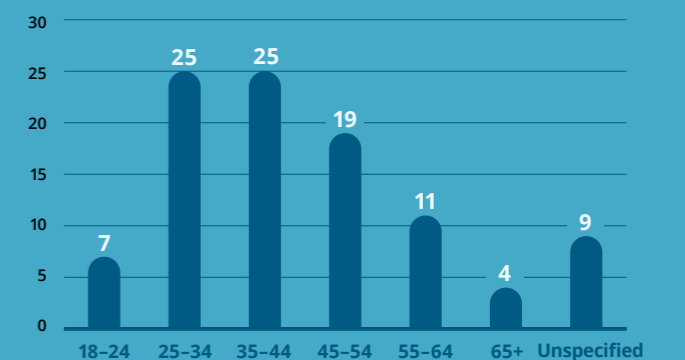
New hires

51%

Employee turnover

The high turnover was due to high labor market volatility among production workers in the USA, but also due to Covid-19.

Age distribution of employees as of 12/31/2021, in %



Curbing climate change



	KEY SUSTAINABILITY ISSUE																																																									
	REDUCED CO ₂ EMISSIONS THROUGHOUT THE VALUE CHAIN	CLIMATE-NEUTRAL OPERATIONS	WASTE REDUCTION																																																							
Long-term ambitions	<ul style="list-style-type: none"> Do our utmost to halve emissions in our operations and value chain by 2030. Reduce energy consumption per product manufactured. Reduce emissions from freight. 	Achieve net zero or negative climate emissions by 2040 but no later than 2050.	By 2030, reduce waste significantly in operations through prevention, reduction, recycling and reuse.																																																							
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> The world is facing a threat from the climate that will increase the vulnerability and health of the poorest and worsen the living conditions of future generations. The primary source of climate emissions for Probi is the manufacturing operations at facilities in Redmond, Washington and Lafayette, Colorado. The climate threat may affect the availability and price of resources and raw materials, a risk of floods and intense heat waves may affect insurance costs, the transport of goods and readiness to invest. <p>Opportunities:</p> <ul style="list-style-type: none"> Protecting the climate and the environment is a focus area for all our existing and potential partners, and Probi's commitment and monitoring is a prerequisite for growth. For an increasing number of consumers, a clear commitment to the environment, i.e. climate, waste, etc. on the part of employers and suppliers is a prerequisite for their employment or incentive to purchase. 																																																									
How we manage our work at Probi	<ul style="list-style-type: none"> Environmental policy. 	<ul style="list-style-type: none"> Environmental policy. 	<ul style="list-style-type: none"> Production systems and processes. 																																																							
Initiative 2021, risk management	Encourage climate action in our broader role in society and continue to report targets and results transparently on an annual basis.	Integrate climate opportunities and risks into our business strategy and management processes.	Continuous improvement is a key theme at Probi. Probi is running a number of internal projects with a significant impact on waste minimization.																																																							
Results in 2021	<p>FREIGHT EMISSIONS</p> <table border="1"> <thead> <tr> <th></th> <th>Air</th> <th>Road</th> <th>Sea</th> <th>Total CO₂ (tonnes)</th> <th>Index¹⁾</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>320</td> <td>1,396</td> <td>-</td> <td>1,716</td> <td>2.840</td> </tr> <tr> <td>2019</td> <td>323</td> <td>1,356</td> <td>2</td> <td>1,680</td> <td>2.684</td> </tr> <tr> <td>2020</td> <td>276</td> <td>1,694</td> <td>-</td> <td>1,970</td> <td>2.747</td> </tr> <tr> <td>2021</td> <td>311</td> <td>1,461</td> <td>-</td> <td>1,772</td> <td>2.692</td> </tr> </tbody> </table> <p><small>¹⁾Tonnes of CO₂ in relation to consolidated net sales.</small></p> <p>ENERGY CONSUMPTION</p> <table border="1"> <thead> <tr> <th></th> <th>kWh</th> <th>Therms</th> <th>CO₂ (tonnes)</th> <th>Index²⁾</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>2,396,711</td> <td>59,221</td> <td>2,008</td> <td>9,981</td> </tr> <tr> <td>2019</td> <td>2,085,225</td> <td>54,083</td> <td>1,760</td> <td>11,235</td> </tr> <tr> <td>2020</td> <td>1,909,374</td> <td>58,310</td> <td>1,659</td> <td>6,846</td> </tr> <tr> <td>2021</td> <td>2,255,200</td> <td>62,958</td> <td>1,931</td> <td>8,717</td> </tr> </tbody> </table> <p><small>²⁾Tonnes of CO₂ in relation to produced probiotic culture in KG in Probi USA.</small></p> <ul style="list-style-type: none"> All electricity used at Probi's offices in Lund, Sweden, is 100% renewable. Part of the electricity consumed in the manufacturing facility in Redmond, Washington, is fossil-free. Probi in Sweden has adopted a hybrid work model on a trial basis, thereby minimizing the emissions that would have resulted from employee commuting during this period. In Lund, Probi has launched a new cycling scheme to encourage all its employees to cycle to work, for both health and environmental reasons. Probi continues to support projects through ZeroMission to offset its carbon emissions from air travel. Read more on the next page. 				Air	Road	Sea	Total CO ₂ (tonnes)	Index ¹⁾	2018	320	1,396	-	1,716	2.840	2019	323	1,356	2	1,680	2.684	2020	276	1,694	-	1,970	2.747	2021	311	1,461	-	1,772	2.692		kWh	Therms	CO ₂ (tonnes)	Index ²⁾	2018	2,396,711	59,221	2,008	9,981	2019	2,085,225	54,083	1,760	11,235	2020	1,909,374	58,310	1,659	6,846	2021	2,255,200	62,958	1,931	8,717
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Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Probi takes responsibility for its climate impact and also takes action to minimize it (consumers, society). Compliance with current and prospective laws (investors, risk perspective). Increased competitiveness and long-term survival of the business (customers, society, employees, investors). 																																																									



Sustainable pastures in Mongolia

To compensate for the emissions arising from our air travel, Probi contributes to the project Sustainable pastures in Mongolia in partnership with ZeroMission in accordance with the Plan Vivo standard. This carbon offset refers to carbon dioxide emissions resulting from Probi AB's and Probi USA's business-related air travel. The project involves more than 140 shepherd families in three different areas of 78,500 hectares. The project is about adapting people to sustainable land use, preserving biodiversity and improving social conditions. Preservation of biological biodiversity is achieved through the formation of cooperatives that patrol the area to prevent illegal deforestation and the poaching of important animal species. By educating people in how to market and sell their products, their incomes also increase. Around 130,000 tonnes of carbon dioxide is expected to be binded in the soil through improved land use practices.

Probi is committed to contributing to the 1.5°C aim of the Paris Agreement

Energy and water consumption, greenhouse gas emissions and waste

Probi continuously evaluates the company's processes with the aim of continuing to streamline and digitize various functions of the business. We take the initiative to hold meetings digitally when face-to-face meetings are not necessary. In both 2020 and 2021, the majority of meetings were held digitally due to Covid-19. However, Probi's international operations as a B2B company entail business travel by air, as customer meetings, exhibitions and fairs are an important part of the business. To compensate for the resulting emissions, Probi contributes to the project Sustainable pastures in Mongolia in partnership with ZeroMission, in accordance with the Plan Vivo standard. This compensation is intended to offset carbon emissions arising from business-related air travel.

To transport products to our customers, we employ professional freight carriers with efficient transport systems. By doing so, the company can access more efficient transportation methods, thus reducing its environmental impact.

Probi's production facilities in Redmond, Washington, and Lafayette, Colorado, are GMP certified and hold all licenses required under US environmental law. In terms of resource consumption, electricity and gas are primarily used in manufacturing. Water is mainly used in the fermentation process in the manufacturing unit in Redmond.

As an extension of Probi's culture of continuous improvement, great emphasis is placed on further streamlining production, minimizing waste and reducing the use of resources. The upgrade program started in Redmond in 2019 has had the expected positive impact on water consumption, as well as reducing costs of supplies and other overheads. Water is not exactly in short supply in the Seattle area, where our fermentation plant is based. But since this is an important part of the production of probiotics, it is particularly important for Probi to focus on water. An increased focus on water reduction reduced consumption by around 60% thanks to the installation of a new cooling system. The upgrade is much more efficient than the previous cooling systems. Modern refrigeration technology enables fermentation to be controlled with greater precision, which in turn improves production yields. The new cooling system not only reduces the amount of water used, but it also allows us to take our product to a much cooler temperature. In other words, it has benefits both in terms of environmental impact and the fermentation process itself.

The Probi value chain

Probi's commitment throughout the value chain

Probi is a vertically integrated global probiotics group monitoring the entire value chain; from research and development, formulation and production to marketing and sales. At Probi, sustainability is at the heart of who we are and what we do. We work continuously to ensure that we make the best decisions for our stakeholders and for the planet at every stage of our value chain. There are areas where Probi has more influence and certain areas where Probi has less ability to bring about change.

Because we are in the probiotics segment, there are only a handful of suppliers that Probi can buy its raw materials from.

We are working to increase our manufacturing capacity to produce more in-house, to ensure in turn that we can provide good quality products to our customers while monitoring working conditions.

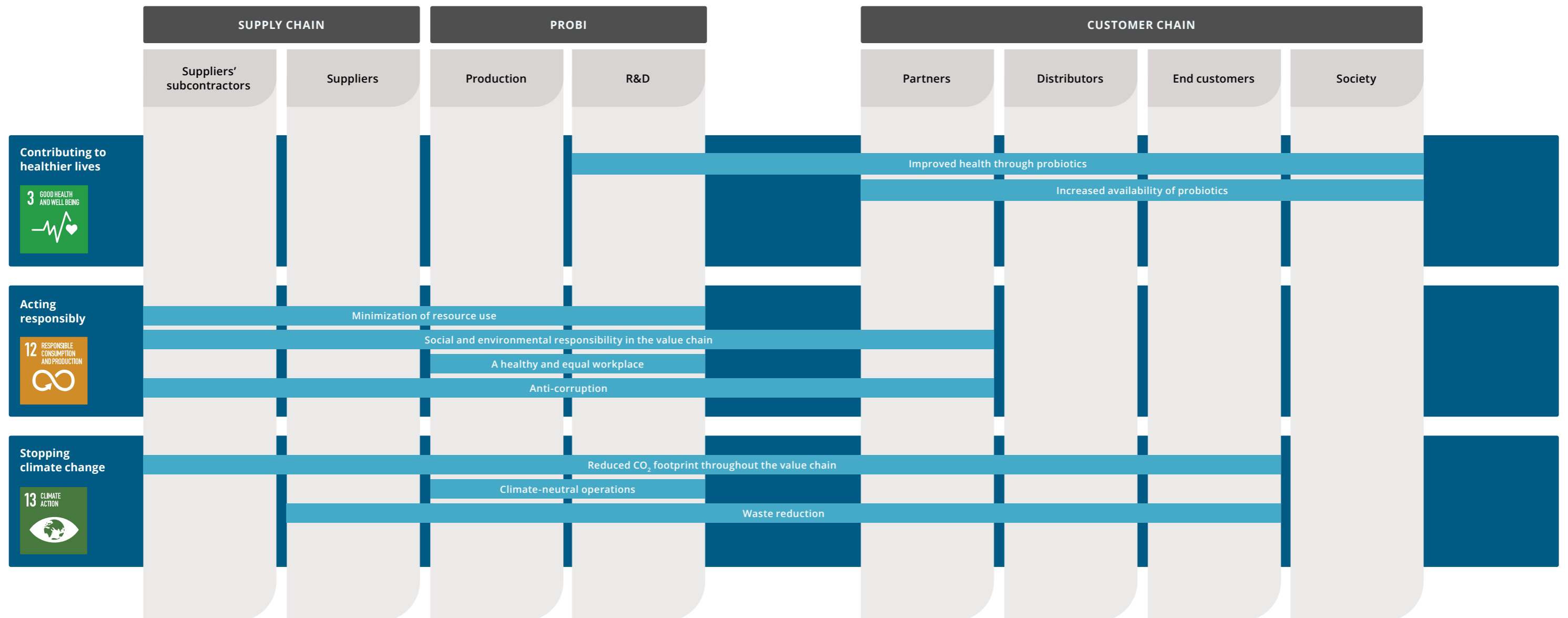
Probi does not accept violations of human rights, wasteful consumption of natural resources, violations of labor laws or unethical business practices. We expect our employees and our suppliers to adhere to this business philosophy, thereby minimizing the risks to our customers, our shareholders and other stakeholders.

We are fair in our business practices and trustworthy while ensuring good relationships with our customers. Our sales and R&D teams work closely with our customers to provide a detailed and accurate overall view of what our products can do for people's health.

All our client-facing employees undergo annual anti-corruption training to ensure ethical business practices. Selected employees also receive training in Trade Sanctions and insider trading regulations. All our employees have signed Probi's internal Code of Conduct.

We select our partners carefully while we also ensure fair conditions in the agreements we sign. If a company wants to work with Probi, its values should match ours.

Probi also contributes to value creation in society; we are expanding and thereby increasing access to quality-assured, clinically tested probiotics that contribute to better health in various segments. Probi is a learning organization. We are constantly striving for improvement and innovation in both processes and production.



The share

Listing

Since 2004, Probi has been listed on Nasdaq Stockholm and trades under the ticker PROB. Probi belongs to the “Mid Cap” segment, which includes companies with market capitalization between EUR 150 million and EUR 1 billion. Probi belongs to the “healthcare” and “biotechnology” sectors.

Share capital

In accordance with the decision of the Annual General Meeting on May 7, 2021, the number of shares and votes in Probi was reduced through the cancellation of the 250,000 treasury shares acquired in 2011. At the end of 2021, Probi's share capital amounted to SEK 58,220,625 (58,220,625), divided into 11,394,125 shares (11,644,125). The nominal value of the share is SEK 5.11 (5.00). Each share carries one vote and an equal right to participate in the assets and profits of the company.

Shareholders

The number of registered shareholders was 3,767 on December 31, 2021, compared to 4,220 on December 31, 2020. Institutional shareholders represent 91.7% (90.6) of the total number of shares, with private shareholders representing 8.3% (9.4) and foreign shareholders 66.7% (62.5). The largest proportion of shares among foreign shareholders is in Europe, representing 65.1% (61.7) of the total number of shares. Probi's main shareholder, Symrise AG, held 60.3% of the capital and votes at the end of the year. Symrise AG treats

Probi AB as a subsidiary in its consolidated financial statements and fully consolidates the company.

Share performance

During 2021, Probi's share price decreased by 6% and was quoted at SEK 397.50 (422.00) on the final trading day of the year. OMX Stockholm PI increased by 34% during the year. Probi's highest and lowest prices in 2021 were SEK 660.00 (450.00) and SEK 297.00 (139.20) respectively. Probi's total market capitalization amounted to SEK 4,529 million (4,914) on December 31, 2021. In 2021, 877,792 (1,417,937) Probi shares were traded on Nasdaq Stockholm. The average number of shares traded per trading day was 3,470 (5,627).

Dividend policy

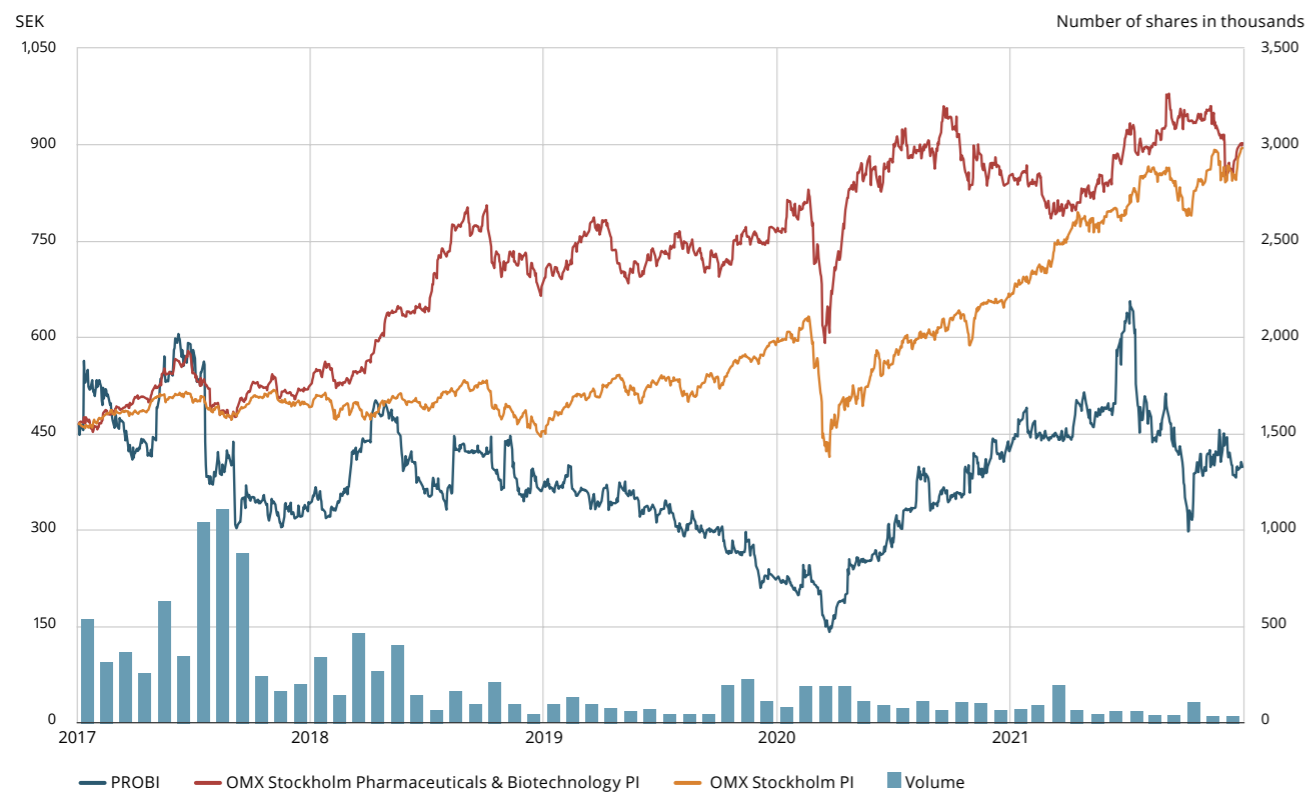
Probi's dividend policy is to have a share dividend of 10-30% of the year's profits, provided that the company's financial position allows this.

The Board of Directors and the CEO will propose at the Annual General Meeting 2022 that the company issues a dividend of SEK 1.30 per share (1.10). This means a total dividend of SEK 14.8 million (12.5), and that the parent company's remaining retained earnings of SEK 1,117.1 million will be carried forward.

Option scheme

Probi has no outstanding convertibles or warrants.

The share 2017–2021



DEVELOPMENT OF SHARE CAPITAL

Event	Year	Issue price	Change in no. shares	Total shares	Nominal value per share	Change in share capital	Share capital
Formation	1991		500	500	100.00	50,000	50,000
Bonus issue 1:1	1997		500	1,000	100.00	50,000	100,000
Directed issue ¹	1997		150	1,150	100.00	15,000	115,000
Split from 100 to 1	1997		113,850	115,000	1.00	-	115,000
Bonus issue 34:1	1998		3,910,000	4,025,000	1.00	3,910,000	4,025,000
Directed issue ²	1998		1,006,250	5,031,250	1.00	1,006,250	5,031,250
Bonus issue 15:10	1998		7,546,875	12,578,125	1.00	7,546,875	12,578,125
Directed issue ³	1998	12	1,721,875	14,300,000	1.00	1,721,875	14,300,000
Bonus issue 13:10	1998		18,590,000	32,890,000	1.00	18,590,000	32,890,000
New issue with preferential rights	2000	10	8,222,500	41,112,500	1.00	8,222,500	41,112,500
Reverse split 5:1	2004		-	8,222,500	5.00	-	41,112,500
New issue	2004		1,142,800	9,365,300	5.00	5,714,000	46,826,500
New issue with preferential rights	2016	264	2,278,825	11,644,125	5.00	11,394,125	58,220,625
Cancellation of treasury shares	2021		-250,000	11,394,125	5.11	-	58,220,625

¹ Issue directed at founders and senior executives.

² Issue directed at Skånemejerier's ownership group and Probi AB.

³ Issue directed at Skånemejerier's shareholders, employees of Probi AB and Skånemejerier as well as certain other related parties.

SHAREHOLDERS

	Number of shares	Share of capital and votes (%)
Symrise AG	6,867,657	60.3%
Swedbank Robur fonder	1,251,000	11.0%
Fjärde AP-fonden	1,046,127	9.2%
SEB	425,818	3.7%
Societe Generale securities service	87,496	0.8%
JP Morgan Chase bank	75,799	0.7%
Nordea Innovation Stars fund	75,459	0.7%
Avanza Pension	71,223	0.6%
Caceis bank. W-8IMY	70,540	0.6%
BNY Mellon NA, W9	63,223	0.6%
Others	1,359,783	11.8%
Total shares	11,394,125	100.0%

HOLDING PER SHAREHOLDER

Share distribution	Number of shareholders	Number of shares	Portion of shares (%)
1 – 500	3,304	305,822	2.7%
501 – 1,000	255	190,460	1.7%
1,001 – 5,000	160	352,905	3.1%
5,001 – 10,000	17	120,989	1.1%
10,001 – 15,000	6	75,545	0.7%
15,001 – 20,000	3	52,532	0.5%
20,001 –	22	10,295,872	90.2%
Total	3,767	11,394,125	100.0%

Probi AB (publ)

Annual accounts
and consolidated
financial statements
for 2021 financial year

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Directors' report

The Board of Directors and CEO of Probi Aktiebolag (publ) with its registered office in Lund, Sweden, corporate registration number 556417-7540, hereby submit the annual report and consolidated accounts for 2021.

Probi was founded by researchers in Lund in 1991. Today, Probi is one of the largest, leading global probiotic companies with a total of four units in the US, Sweden, and Singapore. Probi has a strong, broad, product portfolio, primarily in the areas of gastric health and the immune system. Probi has its own capacity for fermentation, formulation and production, which takes place in GMP-certified plants. Probi develops, manufactures, sells and markets probiotics in the form of powders, capsules, tablets or fruit drinks, in close collaboration with leading health, pharmaceutical and food companies. Probi is a leader in innovation and development and invests significant resources in commercially-based and structured research and development work. All projects are based on customer needs. Probi has over 400 patents.

Significant events in 2021

- During the year, Probi established a strategic partnership with the New Zealand company Blis Technologies Ltd ("Blis"). In connection with this, an investment of around NZD 9 m (around SEK 56 m) was made in newly-issued shares in Blis Technologies Ltd ("Blis"), representing an 13% ownership. Blis, which is listed on the New Zealand stock exchange NZX, is an innovative probiotic company with its own clinically documented bacterial strains that strengthen the immune system against infections in the mouth and throat, which is also beneficial for dental health. The use of Blis' well-documented bacterial strains has a long and successful history in New Zealand, Australia and Asia, as well as in Europe and North America. Along with the investment, Probi and Blis started a licensing and manufacturing agreement which means that Probi will manufacture Blis bacterial strains and offer these to Probi's customers around the world. The companies will also collaborate in research and development. The share acquisi-

tion was financed through liquid funds and Probi has a medium to long-term perspective on its holding in Blis. At the time of purchase of the newly-issued shares, Probi undertook not to sell the shares for a period of twelve months.

- In 2021, Probi started a new partnership with Oriflame for the global launch of a probiotic dietary supplement for gastric health. The product is specially adapted for Oriflame and is based on Probi's patented concept Probi Digestis® which contains bacterial strains with scientifically documented health effects. Oriflame's ambitious marketing plan involves a number of countries with a large geographical spread. The launch was planned for the autumn of 2021 with rollout continuing in 2022 in all markets where "Wellness by Oriflame" is marketed.
- During the year, Probi started a strategic partnership with the Chinese pharmaceutical company China National Pharmaceutical Foreign Trade Corporation (Sinopharm Foreign Trade), which is a wholly-owned subsidiary of the China National Pharmaceutical Group Corporation (Sinopharm), for the launch of three of Probi's ClinBac™ concepts in China. The probiotic market in China is expected to see an average annual growth of 10.3% over the next five years, according to Euromonitor.
- During the year, the launch with Perrigo began, which contributed to strong growth in EMEA. The agreement includes the launch of three probiotic products within Probi's ClinBac™ concept in 14 European countries. During the year, Probi established a new collaboration with La Trobe University in Australia with the aim of investigating the effect of Probi® Osteo in Australian women.
- A new long-term research collaboration focusing on vaginal health was established in 2021 with the Estonian company Tervisetehnoloogiate Arenduskeskus AS. As part of the collaboration, Probi will have specific access to a library of bacterial strains.
- During the year, the first tolerance study of two different bacterial strains on newborn babies was carried out with good results.
- The upgrade of the manufacturing unit in the USA continued throughout 2021 and has largely been completed. At the start of 2022, the focus will be on completing the project and streamlining production.

- The number of shares and voting rights was reduced by the cancellation of 250,000 treasury shares in accordance with the decision of the Annual General Meeting on May 7, 2021. The number of shares and votes in Probi now amounts to 11,394,125.

Sales and results

Probi's net sales amounted to SEK 658.2 m (717.2). The total decrease was SEK 59.0 m or 8% compared with the corresponding period last year. At unchanged exchange rates, net sales for the full year would have been SEK 35.1 m higher.

Net sales in Probi's largest market, the Americas (North and South America), amounted to SEK 484.6 m (564.6), corresponding to 74% of Probi's total net sales. The fall of SEK 80.0 m (14%) was largely due to reduced volumes from two major customers. Sales in EMEA (Europe, Middle East and Africa) increased by 17% on the previous year, to SEK 124.1 m (106.0). The increase is largely due to the European launch with Perrigo but also to new customers in the region. The APAC region (Asia Pacific) saw net sales of SEK 49.5 m (46.5), a rise of 6% due to increased customer volumes, primarily in the Chinese market.

The gross margin increased to 44% (43) of net sales, which was due to a favorable product mix but also to greater volumes at our in-house manufacturing facilities towards the end of the year.

Sales and marketing costs amounted to SEK 88.9 m (95.8) and fell as a result of lower customer activity during the pandemic with travel restrictions and trade fairs being canceled or taking place digitally. Administrative expenses amounted to SEK 54.5 m (54.5), which was on a par with the previous year. Research and development costs amounted to SEK 37.1 m (36.3). This increase was due to the start of several new projects. The Group's operating profit for the year was SEK 109.2 m (123.7). Adjusted for currency effects, the operating profit was SEK 119.2 m (124.8).

The Group's financial result for the year was SEK -1.8 m (-3.6). Interest income was SEK 0.2 m (0.2) while interest expenses amounted to SEK -1.9 m (-2.1). An exchange rate loss of SEK 0.1 m (-1.7) arose during the year, which referred to the conversion of cash and cash equivalents in foreign currency.

The profit after tax for the year was SEK 83.1 m (92.7). The tax cost was SEK 24.3 m (27.4).

Earnings per share for the year amounted to SEK 7.30 (8.14).

Cash flow and financial position

Cash and cash equivalents increased during the year by SEK 35.4 m to SEK 251.0 m (215.6). Cash flow from operating activities rose by SEK 10.8 m compared with the previous year. This is explained by lower inventory levels compared to the previous year, which included higher inventory in connection with a major commitment for a large US customer in an update of the customer's product range.

Cash flow from investment activities was SEK -97.5 m (-96.4). Investments in intangible fixed assets amounted to SEK -7.4 m (-13.3), of which SEK -0.5 m (-2.8) related to software, SEK -4.1 m (-4.3) related to patents and SEK -2.8 m (-6.2) referred to capitalized development expenses. Capitalized development expenses during the year were mainly incurred by clinical studies in gastric and immune health as well as nutrient uptake. Investments in participations in other companies amounted to SEK -55.9 m (-53.0) and mainly referred to participations in Blis Technologies Ltd. Investments in property, plant and equipment amounted to SEK -35.1 m (-30.0) and mainly referred to investments in the manufacturing unit at Redmond, Washington.

Cash flow from financing activities was SEK -28.0 m (-27.7). This amount includes paid leasing liabilities of SEK -12.4 m (-13.1) and interest paid of SEK -3.2 m (-3.4). The dividend amounted to SEK -112.5 m (-11.4).

Segment information

Probi's business is organized into three operating segments. These segments are based on a geographical division and consist of the regions Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia and the Pacific). All segments sell probiotics to pharmaceutical and healthcare companies as well as customers specializing in probiotics and self-care products. Revenues are generated through sales of goods in everything from raw materials in bulk to ready-produced products in their final consumer packaging. In addition, foods containing Probi's probiotics are being developed, which is done in collaboration with leading food companies. Revenue comes from both sales of goods and royalties. The Americas has two in-house manufacturing units, including a fermentation unit in Redmond, Washington and a production and packaging unit in Lafayette, Colorado. There is no monitoring of the company's assets at segment level.

The Americas

Net sales for the Americas in 2021 amounted to SEK 484.6 m (564.6), which corresponds to a fall of 14%. Adjusted for exchange rates, the fall in sales was 8%. During the year, there were no orders from two major customers, which was the main explanation for the decline in net sales. Net sales for the Americas corresponded to 74% of the Group's net sales. The gross margin for the full year was 40% (40), which was on a par with the previous year. Work on the upgrade of the manufacturing unit went on throughout the year and is now largely completed. At the start of 2022, the focus will be on completing the project and streamlining production.

EMEA

In 2021, net sales for EMEA amounted to SEK 124.1 m (106.0). This increase is mainly due to the launch with Perrigo, but new customers were also added during the year. The region's net sales corresponded to 19% of the Group's net sales. The gross margin for the full year was 54% (59) and the decrease is explained by increased costs related to product launches. During the year, Probi started a new partnership with Oriflame for the launch of a probiotic dietary supplement in gastric health, based on Probi's patented concept Probi Digestis®, which contains bacterial strains with scientifically documented health effects.

APAC

Net sales for APAC during the year amounted to SEK 49.5 m (46.5). The increase is primarily attributable to increased sales in the Chinese market. The region's net sales corresponded to 7% of the Group's net sales. The gross margin for the full year was 56% (52), the decrease mainly being due to increased regulatory resources. During the year, Probi started a strategic partnership with the Chinese pharmaceutical company China National Pharmaceutical Foreign Trade Corporation (Sinopharm Foreign Trade) for the launch of three of Probi's ClinBac™ concepts in China.

Risks and uncertainties

AREA	RISK DESCRIPTION	RISK MANAGEMENT
Changes in consumer trends	An overriding social trend among consumers in many geographic markets is the continued growing interest in health, health products and a healthy lifestyle. The prevailing health trend has had a positive impact on consumer demand for probiotics and other products. Should the prevailing health trend diminish or change, and lead to a change in consumption patterns and consumer trends, this could halt or slow demand for Probi's products, which could have a negative impact on Probi's operations, financial position and earnings.	Probi contributes to global health by offering well-documented probiotics with a variety of health benefits. The business monitors trends, consumer behavior and demand for product content. Probi participates in and presents at various fairs and exhibitions around the world (physically or digitally). To keep the business up to date with societal trends, Probi purchases market reports and analyzes. The IPA (International Probiotics Association), of which Probi is a member, pursues an active agenda to highlight the benefits of probiotics. IPA drives innovation and tries to increase the use of probiotics.
Agreements with strategically selected customers	Probi has agreements with a number of customers in various countries who market Probi's products and technology, or are planning to do so. Should one or more of these collaborations end or not lead to launches, this would have a negative impact on Probi's revenue, earnings and financial position.	One of Probi's focus areas for achieving doubled sales is to increase the number of key customers, in order to better balance fluctuations. Probi maintains a constant dialogue with the customer in order to understand and meet the customer's needs. With a competent and professional sales organization, with support from other functions, Probi creates good conditions for good and long-term business relationships, which in combination with long-term customer agreements reduces the risk of collaborations ending.
Acquisitions	Probi's business strategy includes growth through acquisitions. Opportunities for this depend on the company's ability to identify suitable acquisition targets, implement the acquisitions on favorable terms for Probi and successfully integrate them into the Group. If acquisitions cannot be implemented, the company's capacity for future growth could decline. In addition, completed acquisitions may also give rise to a number of risks, such as if the due diligence process prior to an acquisition proved insufficient or defective. Such flaws could, for example, result in expected acquisition synergies not being realized or in unforeseen costs arising from the integration process.	Probi has appointed a transaction committee and a transaction team to handle acquisition processes. In the transaction team, various functions are represented so that any risks can be identified and taken into account. If necessary, the company can also bring in external expertise to carry out the due diligence process.
Competition	The growing interest in probiotics means that Probi faces greater international competition, such as in the form of increased price pressure from established and new players in the market. Competition will also come from other products with equivalent health benefits. Over time, this could entail a threat to Probi's market position and growth.	Innovation and development are a central part of Probi's operations. Confidence in Probi's brand and products is essential for the company's market position and long-term development. Top-quality clinical studies and reliability on Probi's bacterial strains create credibility for the products, which is an important part in creating growth. With constant development, innovation and improvement initiatives, the chances of gaining and maintaining confidence increase and improve the company's market position.
Regulatory risks	The requirements and regulations for the use of health claims for probiotics, for example, are constantly being tightened. Since July 1 2007, nutrition and health claims have been regulated by an EU directive (1924/2006) that applies in all EU countries, which has placed considerable restrictions on the options of communicating the health-related benefits of products to consumers. Regulatory processes are also being tightened in other geographic markets. Since Probi's continued expansion presumes product launches in a greater number of geographical markets, the tightening of regulatory processes in various markets could entail the risk of increased costs and delayed launches for Probi.	Probi has a dedicated department handling regulatory matters and monitoring current regulations. To reduce regulatory risks, Probi works closely with customers, suppliers and various authorities. Probi has regulatory teams in different geographical areas to ensure that the business has the right expertise for the current market and thus customers' needs.
Patents, trademarks and other rights	Probi's continued development depends largely on continued successful research and the ability to protect future revenue streams from product sales with extensive patent protection. Thus, it is vital that granted patents can be maintained and that newly developed products and applications can be patented or protected in some other way. There is a risk that current or future patents, trademarks and other intellectual property rights held by Probi will not provide adequate protection against infringement and competition. Moreover, patents held by other operators could limit the potential for or prevent Probi and its licensees from freely utilizing a certain product or production method in specific markets.	Probi collaborates with an external party that helps manage, review, monitor and protect the company's patents and trademarks. This work is carried out in accordance with Probi's international patent strategy.

AREA	RISK DESCRIPTION	RISK MANAGEMENT
Operations subject to permits	Probi conducts business that requires certain permits under environmental law in the US. Any changes in environmental legislation could adversely affect Probi's operations, financial position and results.	Probi's quality department works constantly and committedly with the quality and development of the business, while the business ensures that relevant laws, guidelines and practices are followed to maintain and procure new, necessary, permits from the authorities, certifications and licenses.
Supply of goods	A significant portion of Probi's future growth is based on the delivery of ready-made products in the form of powder, capsules and tablets. Probi has two manufacturing units in the US, a fermentation unit in Redmond, Washington and one manufacturing and packaging unit in Lafayette, Colorado. An interruption in production could have an impact on deliveries to customers, as most of the production takes place against orders. Part of the manufacturing is done by suppliers where Probi is dependent on them complying with agreed requirements in areas such as quality, volumes and delivery dates.	Probi's supply chain consists of both internal and external manufacturing. This means that it is possible to address changes in the order flow by adjusting the balance between internal and external manufacturing. With regard to external production, a dual sourcing strategy is applied to reduce dependence on individual suppliers.
Product liability	Probi could be subject to product liability claims if the company's products are alleged to have caused personal injury or property damage. Probi's insurance schemes contain product liability protection. Probi's business could give rise to claims for damages that are not covered by the insurance, which could have an adverse impact on Probi's earnings and financial position.	Producing live and active probiotics is a very complex process and Probi focuses on ensuring that the products are of the highest quality. The quality department conducts audits on Probi's contract suppliers and ensures that the suppliers meet the standards and requirements. The business also makes extensive and consistent analyses of all ingredients and components. Probi has a quality department with a laboratory that has processes for quality control. The manufacturing units have extensive experience of producing probiotics where quality is a prerequisite for satisfied customers.
Strategic research and development	Probi's R&D and product development encompass both in-house work and collaborations with external Swedish and international researchers and organizations. However, there is no guarantee that these efforts or collaborations will lead to new launchable products, or that Probi will receive exclusive rights to any results.	The board approves the strategic focus on research and development. Probi has established an internal steering group which ensures that the project is in line with the established strategy and also that the commercial interests are taken into account. The employees' competence and experience play an important role in planning initiatives and collaborations in research and development. Probi also has a network of international researchers and organizations.
Key individuals and employees	Probi's future development is dependent on being able to retain employees and on recruiting and introducing new employees with the required skills. Probi's most important asset is its employees and therefore the business is dependent on retaining and attracting new talent.	Probi attaches great importance to creating a good physical and mental work environment for all employees. By implementing a healthy, inclusive and stimulating corporate culture with good leadership, Probi protects its brand as an employer. Probi regularly conducts employee surveys where, among other things, improvement proposals for the workplace are addressed. Mandatory development talks are held to ensure personal development. For more information, see page 37.
Information technology	A secure and reliable IT environment with high availability is a prerequisite for efficient running of operations. External and internal attempts to breach the IT environment that limit its availability or result in the loss of company information could have an adverse impact on Probi's earnings and financial position.	The company has adopted an IT policy and the overall goal is to achieve secure management within the Group. The policy contains guidelines for acceptable use, purchasing, descriptions of how the Group handles privacy, information and IT security. Probi is constantly working to develop IT security to protect the business. Probi strives for the highest reasonable security against internal and external threats and unauthorized access through continued improvements.
Financial risks	Probi is exposed to several financial risks that primarily arise from the purchase and sale of products in foreign currency. Exchange and interest rates impact Probi's earnings and cash flows. The company is also exposed to liquidity risks and to credit and counterparty risks.	The company's financial policy is established by the board and contains guidelines for the management of various types of financial risk exposure. The corporate finance function in the Group is responsible for identifying and effectively limiting the Group's financial risks. For more detailed information, refer to Note 3.
Pandemics	A pandemic can affect the demand for Probi's products both positively and negatively depending on the nature of the pandemic. In the event of a pandemic, the supply of goods can also be affected as Probi is to some extent dependent on external suppliers from other countries. The sales channels that are dependent on physical meetings can also be negatively affected, while online sales, for example, can see a positive effect. If many employees become ill at the same time, there is a risk that the business may be adversely affected.	See risk management for changing consumer trends and supply of goods. With its own production, Probi can quickly develop a concept and deliver a finished consumer packaging according to the customer's changing needs. To ensure the safety of employees, the organization has technical solutions to guarantee office employees can do their job without physical meetings. The production facilities have strict routines regarding protective equipment, safety and keeping a physical distance.
Sustainability risks	For sustainability risks, see page 32, 34-35, 38.	For sustainability risk management, see page 32, 34-35, 38.

Research and development

Probi's research program in 2021 generated promising results, improving the company's product portfolio and favoring the launch of products in various health areas. Clinical studies completed during the year are expected to further contribute to a continued solid and innovative product portfolio. Total expenses for research and development amounted to SEK 39.9 m (42.5), of which SEK 2.8 m (6.1) relates to capitalized project costs.

A research study was published that showed that Probi's *Lactobacillus plantarum* 299v (LP299V®), which in Sweden is sold under the brand Probi® Gravid, has proved to be effective in improving iron status and thereby reducing the need for iron supplements. The clinical study was conducted by Probi on 326 healthy, pregnant women in Sweden. The women received either Probi® Gravid or a placebo. The study was randomized, double-blind, and placebo-controlled. The results show that markers of iron status (e.g. ferritin and hemoglobin) decreased more in the women in the placebo group compared with the women in the probiotic group. In addition, the incidence of iron deficiency and iron deficiency anemia at week 35 in the probiotic group was lower compared to the placebo group.

During the year, Probi started a new collaboration with researchers at La Trobe University in Australia to study bone health. The collaboration will include a clinical trial aimed at investigating the effects of Probi® Osteo in the Australian female population. Probi launched the Probi® Osteo concept in 2018, based on a clinical study of 249 healthy women aged 47–69 who were randomized, double-blind and placebo-controlled. This showed a 78% reduction in bone loss compared to the placebo.

Probi and Tervisetehnoloogiate Arenduskeskus AS in Estonia, also known as the Competence Center on Health Technologies (CCHT), signed a long-term research and development collaboration in 2021, aimed at developing new products in vaginal health based on probiotic lactobacilli. As part of the collaboration, Probi will have access to a library of bacterial strains.

During the year, Probi conducted one of the first tolerance studies with both an *L. plantarum* strain and an *L. rhamnosus* strain on newborn babies with good results. *L. plantarum* has not been studied in an infant population before. The youngest baby recruited in the study was 4 days old and began consuming probiotics at 11 days. The primary objective of this double-blind, randomized, and placebo-controlled pilot study was to evaluate the tolerance of *L. plantarum* HEAL9 (HEAL9™) and *L. rhamnosus* in 271 healthy infants.

Employees

At the end of the year, Probi had 175 (176) employees, of which 50% (51) were women. The average number of employees during the year was 178 (170).

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Future development

The basis of Probi's operations is conducting research and development, obtaining patents and documenting probiotic bacteria and developing and producing ready-made probiotic consumer products. The company's long-term objective is to continue creating profitable growth by expanding and developing sales on the global product market. The global market for probiotics is expected to continue growing in the coming years. In view of this, Probi's assessment and the conditions are in place for continued growth and that both earnings and cash flow from operating activities will be positive in the coming year.

Guidelines for remuneration to senior executives

In accordance with the Swedish Companies Act, the Annual General Meeting shall decide on guidelines for remuneration to the CEO and other senior executives. At the Annual General Meeting on May 13, 2020, new guidelines were established. No deviations from these guidelines have been made. The guidelines are expected to contribute to the implementation of the strategy, including Probi's long-term interests and sustainability, by enabling Probi to offer market-based and competitive total remuneration to recruit and retain senior executives and by making it easier for senior executives to perform their duties. With regard to employment conditions that are subject to regulations other than Swedish, appropriate adjustments may be made to comply with such mandatory rules or fixed local practice, whereby the overall purpose of these guidelines shall be met as far as possible.

The total remuneration to senior executives must be market-based and competitive and may consist of a fixed cash salary (basic salary), variable cash salary (bonus), pension and other benefits, as well as additional cash remuneration in certain extraordinary circumstances. In addition, and independently of these guidelines, the Annual General Meeting may decide on, for example, long-term share and share price-related incentive schemes.

The fixed cash salary (basic salary) must take into account the employee's potential, areas of responsibility and experience.

The annual variable cash salary for the CEO may amount to a maximum of 60% of the fixed annual salary, and for other senior executives the variable cash salary may amount to a maximum of 50% of the fixed annual salary. For senior executives employed in the American organization, the annual variable cash salary may amount to a maximum of 100% of the fixed annual salary. Annual variable cash salary shall depend on the senior executive's fulfillment of predetermined quantitative and qualitative targets. The goals may be financial by, for example, relating to results or net sales and non-financial by, for example, relating to how the individual contributes to Probi's diversity work and the maintenance and building of Probi's culture. The goals must include aiming to ensure a long-term commitment to the company's development, whereby they are expected to contribute to the fulfillment of Probi's business strategy, long-term interests and sustainability. Fulfillment of the criteria for payment of an annual variable cash salary shall be measured on an annual basis.

In addition to a fixed cash salary and the annual variable cash remuneration, senior executives and other selected key personnel (up to ten people) may receive a variable long-term cash bonus (LTI bonus) each year. The LTI bonus will reward growth in earnings per share during the year in question, which is also the performance year (year 1). The amount initially allocated shall be based on the fulfillment of performance targets and shall amount to a maximum 7.5-37.5% of the annual salary during the year in question for each participant, depending on their position. The initially allotted amount shall be earned during the following three years (years 2-4) and shall thereafter be indexed upon payment in relation to the share price trend during the earning period, i.e. if the share price has risen by 25%, during the allocated period, the initially allotted amount upon payment of the LTI bonus shall be increased by 25%. If the share price has fallen by more than 33%, during the allocated period there must be a guaranteed minimum of 67% of the initially allotted amount. If the share price has increased by more than 50% during the allocated period, the LTI bonus paid out shall be maximized to 150% of the initially allotted amount. If the initially allocated amount amounts to a maximum of 37.5% of the annual

salary and the share price trend during the allocated period amounts to more than 50%, the maximum payment for each individual LTI bonus would amount to 56.25% of the annual salary during the implementation year. Payment of the LTI bonus is conditional on continued employment at the end of the allocated period (with certain regular exceptions). The costs of the LTI bonus are the usual staff costs related to cash remuneration. At the end of the financial year, no senior executives or other key personnel had been included in the LTI scheme.

Additional cash remuneration may be paid in exceptional circumstances, provided that such extraordinary arrangements are limited in time, and are only made at an individual level either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary work in addition to the person's ordinary duties. Such remuneration may not exceed an amount corresponding to 30% of the fixed annual salary and must not be paid more than once a year and per individual. Decisions on such remuneration shall be made by the Board.

For senior executives, pension benefits, including health insurance, must be contribution-based. The variable cash salary must be pensionable. The pension premiums for defined contribution pensions shall follow the ITP1 plan and amount to a maximum of 4.5% of the pensionable income up to 7.5 income base amounts, and a maximum of 30% on excess salary components. In addition, according to applicable collective agreements, part of the senior executives' pensionable income can be set aside as a supplement to the senior executive's contractual pension (part-time pension premium).

Other benefits may include life insurance, health insurance and car benefits, and shall be payable to the extent that this is deemed to be market-based for senior executives in corresponding positions in the labor market where the executive is active. Such benefits may amount in total to a maximum of 10% of the fixed annual salary.

Senior executives must be employed until further notice. In the event of termination by the company, the notice period may be a maximum of twelve months for the CEO and a maximum of nine months for other senior executives. Fixed basic salary during the notice period and severance pay may not exceed an amount corresponding to the fixed basic salary for 18 months. In the event of termination by the executive, the notice period may not exceed six months, without the right to severance pay. In addition, remuneration may be paid for any commitments made to restrict competition. Such remuneration shall compensate for any loss of income and shall only be paid in the event that the former executive does not receive severance pay. The remuneration shall amount to a maximum of 60% of the fixed basic salary at the time of termination, unless otherwise provided by mandatory collective agreement provisions, and shall be paid during the period of the undertaking to restrict competition, which shall not exceed twelve months after termination of employment.

The Board shall have the right to deviate from the guidelines if the Board deems that in an individual case there are special reasons that justify it and a deviation is necessary to meet Probi's long-term interests, including its sustainability, or to ensure Probi's financial viability. It is the task of the remuneration committee to prepare the board's decisions on remuneration issues, which includes decisions on deviations from the guidelines.

Sustainability reporting

In accordance with The Swedish Annual Accounts Act, Chapter 6, Section 11, Probi has chosen to prepare the statutory sustainability report as a separate report from the annual report. The sustainability report can be found on pages 28-41.

Ownership structure and share capital

Probi's shares have been listed on Nasdaq Stockholm since 2004. Since January 1, 2017, Probi has been part of the Nordic Mid Cap segment, comprising companies with a market capitalization ranging from EUR 150 m to EUR 1 bn. On December 31, 2021, Probi had 3,767 (4,220) shareholders according to Euroclear Sweden AB. On that date, Probi had two owners with shareholdings representing at least one-tenth of the votes for all shares in the company: Symrise AG, Germany, and Swedbank Robur Funds, Sweden, with 60.3% and 11.0% of the votes, respectively. At the end of 2021, Probi's share capital amounted to SEK 58,220,625 (58,220,625), distributed among 11,394,125 shares (11,644,125). All shares are of the same class and carry one vote and equal rights to the company's assets and earnings. The Articles of Association contain no restrictions on the transferability of the shares.

Proposed allocation of profit in the Parent Company

The following profits in the Parent Company are at the disposal of the Annual General Meeting (SEK):

Profit brought forward	458,577,677
Share premium reserve	579,064,772
Profit for the year	94,241,641
Total	1,131,884,090

Based on an assessment of Probi's business operations and strategic investment decisions in 2021, the Board of Directors and the CEO propose that the 2022 Annual General Meeting resolves that a dividend of SEK 14,812,362 be paid for the 2021 financial year and that retained earnings totaling SEK 1,117,071,728 be brought forward in a new account.

Corporate governance report

Probi AB (publ) is a Swedish limited liability company whose shares have been listed on Nasdaq Stockholm since 2004. According to its Articles of Association, Probi shall engage in the development, manufacture and marketing of products that stimulate the growth and/or regulate the natural microflora in humans and conduct other compatible operations.

Probi's Corporate Governance is based on applicable legislation, resolutions by the Annual General Meeting (AGM), Articles of Association, listing agreement, the Swedish Code of Corporate Governance (the "Code") and work by the Board of Directors and Executive Management. For more information about the contents of the Code, refer to www.bolagsstyvningskollegiet.se. This Corporate Governance Report refers to the 2021 financial year and has been prepared in accordance with the Swedish Annual Accounts Act and the Code's regulations. Probi's Articles of Association and additional information about Probi's Corporate Governance are available at www.probi.com, under 'Investor Relations.'

Application of the code

Probi, its Board of Directors and Nomination Committee apply the Swedish Code of Corporate Governance. No deviation from the Code has taken place.

Annual General Meeting

Shareholders exercise their influence over the company at Annual General Meetings of Shareholders, Probi's highest decisionmaking body. The AGM is held within six months of the end of the financial year. Official notification of the Meeting is sent not earlier than six weeks and not later than four weeks prior to the Meeting. All shareholders listed in the shareholder registry and who registered their interest are entitled to participate in the Annual General Meeting and vote. Each share carries one vote.

The Annual General Meeting was held in Lund on May 7, 2021. The Board of Directors, auditors and Nomination Committee were elected at the AGM. In addition, the AGM resolved to withdraw 250,000 treasury shares and a bonus issue corresponding to the reduction amount, without issuing new shares to keep the share capital intact. The AGM also approved a minor amendment to the Articles of Association to enable postal voting. The Board of Directors was also authorized during the period prior to the 2021 AGM, on one or more occasions, to:

- make decisions regarding a new rights issue of up to a total of 1,165,000 shares. This authorization includes the right to resolve to disapply the shareholders' pre-emptive rights and that payment is to be made in cash, in kind, or offsetting debt. When disapplying the shareholders' pre-emptive rights, the issue price is to be set on normal market terms. At the date of the resolution by the AGM, full exercise of the authorization would have entailed a 9% dilution of the share capital and voting rights. The Board did not exercise this authorization during 2021. Minutes from the 2021 AGM are available at www.probi.com under "Investor Relations".

Nomination Committee

The Nomination Committee is elected at the AGM and its principal tasks are to:

- evaluate the Board's composition and duties
- prepare proposals to the AGM for the election of Board members and Chairman of the Board and their remuneration
- prepare proposals for the AGM for the election of auditors and their remuneration

On May 7, 2021, the AGM resolved that the Nomination Committee should consist of four owner representatives. Heinz-Jürgen Bertram (CEO Symrise AG) (convenor), Bengt Jeppsson (Professor at the Department of Surgery at Lund University), Monica Åsmyr (Swedbank Robur Fonder) and Jannis Kitsakis (Fjärde AP-fonden) were re-elected as members of the Nomination Committee. In August 2021, Swedbank Robur Fonder announced that Jannis Kitsakis would be replaced by Marianne Flink. The Nomination Committee's proposals are presented in conjunction with the official notification of the AGM. Shareholders who wish to contact the Nomination Committee can do so in accordance with the information provided on Probi's website: www.probi.com under "Investor Relations".

The Board of Directors

According to Probi's Articles of Association, the Board is to consist of no fewer than three and no more than seven members, with no more than three deputies, and be elected at the AGM. The company's Articles of Association lack specific stipulations concerning the appointment and dismissal of Board Members and concerning amendments to the Articles of Association. On May 7, 2021, the AGM resolved to elect a Board consisting of five ordinary members with no deputies. In accordance with the Nomination Committee's proposal, the Meeting resolved on the re-election of Board Members Jean-Yves Parisot, Jörn Andreas, Charlotte Hansson and Iréne Corthésy Malnoë and Malin Ruijsenaars. Jean-Yves Parisot was re-elected Chairman of the Board. A presentation of the Board Members is available on the company's website www.probi.com and on pages 88-89.

The AGM resolves on principles and monetary limits for Board fees. For 2021, the Board's fees were fixed at SEK 1,780,000 of which SEK 520,000 for the Chairman of the Board and SEK 260,000 for each of the other four Board members. A resolution was also made concerning remuneration for work on committees. The Chairman of the Audit Committee is to receive SEK 120,000 and each member SEK 50,000. The Chairman of the Remuneration Committee is to receive SEK 30,000 and each member SEK 20,000.

For information regarding Board fees, see Notes 10.

CEO

A presentation of the CEO is available on the company's website www.probi.com and on page 90.

Auditors

The 2021 AGM elected the registered accounting firm Ernst & Young AB with Authorized Public Accountant Peter Gunnarsson as auditor-in-charge for the period up to the 2022 AGM.

The Board's work and rules of procedure

The Board is ultimately responsible for Probi's organization and the administration of the company's affairs. The Board decides whether to appoint or dismiss the CEO, and on major organizational and operational changes. The Board's duties also include

evaluating and determining strategies, business plans and budgets. The Board also adopts quarterly reports, year-end reports and annual reports.

Every year, the Board evaluates the CEO's performance in relation to the identified long and short-term objectives. In conjunction with this, the CEO's objectives for the coming financial year are set. No representative from executive management participated in this evaluation.

The Board annually prepares a procedure regulating the division of work and responsibilities between the Board, Chairman and CEO. The work procedure also defines the spheres of responsibility of the Audit and Remuneration Committees. This work procedure is adopted at the Board's statutory meeting, which is held in conjunction with the AGM.

The Chairman of the Board is responsible for continuously monitoring the company and ensuring that all Board Members continuously receive the relevant information for making decisions and evaluating Probi. The Chairman must consult with the CEO on strategic issues, supervise Board meetings and ensure that Board matters do not contravene the regulations regarding conflicts of interest stipulated by the Companies Act. The Board annually establishes instructions for the CEO. These include guidelines for the ongoing administration, accounting and asset management and internal control of the company. These instructions also cover the CEO's authorizations and disclosure requirements towards the Board.

The Board is to convene no fewer than four scheduled Board meetings distributed equally during the year and hold one statutory meeting. In addition to regular items, the scheduled Board meetings in 2021 focused primarily on strategic and structural issues involving Probi's long-term development and growth. The Board of Directors also held a further seven minuted meetings in 2021. These meetings addressed matters relating to such items as strategic investment decisions, negotiations of commercial agreements and the adoption of quarterly and year-end reports.

Audit Committee

The task of the Audit Committee is to assist the Board of Directors in its fulfilment of the Board's supervisory obligations in terms of internal control, audits, any internal audits, risk management, accounting and financial reporting, and to prepare matters involving the procurement of audit and other services as well as preparing certain accounting and audit matters that are to be addressed by the Board. The sphere of responsibility of the Audit Committee is defined in the Board of Directors' work procedure and in the instructions for the Audit Committee. The Audit Committee maintains continuous contact with the company's auditors, who personally report their findings and observations at least twice annually. The auditors also provide information on the priority areas that future audits are to examine, while the Audit Committee informs the auditors about issues or areas that it wishes them to specifically highlight.

Charlotte Hansson was appointed Chair of the Audit Committee and Jörn Andreas was appointed a member of the Committee. The company's auditor and CFO regularly attend the Audit Committee's meetings.

Remuneration Committee

The task of the Remuneration Committee is to assist the Board of Directors by providing proposals concerning remuneration issues and regularly monitoring and evaluating remuneration structures and remuneration levels for the CEO and other members of the company's executive management. The Committee's

work also includes providing proposals concerning policies for remuneration and other terms and conditions of employment for the CEO and senior executives that are to be resolved by the AGM. The sphere of responsibility of the Remuneration Committee is defined in the Board of Directors' work procedure and in the instructions for the Remuneration Committee. For information regarding salaries and remuneration of the CEO and other senior executives, see Note 10. Jean-Yves Parisot was appointed Chairman and Malin Ruijsenaars a member of the Remuneration Committee.

BOARD MEMBERS' MEETING ATTENDANCE IN 2021

Name	Year elected	Independent the company	Independent of major shareholders	Attendance at Board meetings	Attendance at Audit Committee meetings	Attendance at Remuneration Committee meetings
Jean-Yves Parisot	2015	Yes	No	11/11		2/2
Charlotte Hansson	2017	Yes	Yes	11/11	9/9	
Irène Corthésy Malnoë	2018	Yes	Yes	11/11		
Jörn Andreas	2019	Yes	No	11/11	9/9	
Malin Ruijsenaars	2020	Yes	Yes	11/11		2/2

The Board's internal control report

According to the Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the internal control of financial reporting. This report is limited to the internal control of financial reporting.

Authorization and responsibility are documented and recognized in internal guidelines and instructions. These encompass matters such as the division of responsibilities among the Board, the Audit Committee, the Remuneration Committee and the CEO, accounting and reporting instructions and attestation instructions for the Parent Company. The purpose of the instructions in these documents is to provide reasonable assurance regarding the quality and reliability of the company's external financial reporting and to minimize the risk of irregularities and improper benefits to other parties at the expense of the company.

The Board monitors the company's financial development through reporting at Board meetings and through continuous financial reporting. The CEO is responsible for preparing and presenting reports at each Board meeting, with the following principal content for the period in question:

- Sales and market development and status of R&D projects.
- Balance sheet, income statements and
- cash flow statements.
- Investments and tied-up capital.
- Key ratios.
- Forecasts for current quarters and full-year.

The CEO must also, in accordance with the established time schedule, submit a financial report to the Board members.

Quality of the financial reporting

The Board is responsible for ensuring the quality of the company's financial reporting. The information submitted by executive management is continuously evaluated by the Board and the Audit Committee. In this work, it is essential to ensure that actions are taken concerning potential shortcomings that are detected and that the adopted quality improvements are implemented. The Audit Committee accounts for this work concerning contact with the company's auditor. Considering the size and risk exposure of the company, and the follow-up and control procedures, it has not been deemed warranted to establish a specific internal audit function. Each year, the question of establishing a specific internal audit function is to be addressed by the Board.

Information and communication

The Board has adopted a communication policy that specifies procedures and systems designed to ensure that Probi provides the market with relevant, reliable, correct and current information concerning the company's development and financial position.

Financial statements

Consolidated statement of comprehensive income

Currency: SEK 000s	Note	2021	2020
Net sales	6, 7	658,180	717,165
Operating expenses			
Cost of goods sold	8, 10, 11, 30	-370,173	-407,208
Gross profit	6	288,007	309,957
Sales and marketing expenses	8, 10, 11	-88,931	-95,780
Research and development expenses	8, 10, 11	-37,082	-36,347
Administrative expenses	8, 9, 10, 11	-54,443	-54,525
Other operating income		1,692	376
Operating profit/EBIT		109,243	123,681
Financial income		154	241
Financial expenses	11	-1,882	-2,123
Exchange-rate gain/loss from financing activities		-76	-1,712
Financial result	12	-1,804	-3,594
Earnings before income taxes		107,439	120,087
Income taxes	13	-24,294	-27,394
Net income (attributable in its entirety to Parent Company shareholders)		83,145	92,693
Other comprehensive income			
Components that will be reclassified to net income			
Exchange rate difference resulting from the translation of foreign operations		87,448	-118,003
Cash flow hedge		-	-280
Income taxes payable on these components		-	61
Total components that will be reclassified to net income		87,448	-118,222
Components not to be reclassified to net income			
Equity instruments at fair value through OCI		-7,721	-
Total components not to be reclassified to net income		-7,721	-
Total other comprehensive income		79,727	-118,222
Total comprehensive income for the year		162,872	-25,529
Earnings per share before and after dilution, SEK		7.30	8.14

Consolidated statement of financial position

ASSETS

Currency: SEK 000s	Note	2021	2020
Non-current assets			
Intangible assets			
Capitalised development costs	14	32,096	39,620
Customer base	15	239,887	239,482
Technology and other intangible assets	16	108,138	110,057
Goodwill	17	307,011	278,238
Activated customer remuneration	18	3,274	6,548
Total intangible assets		690,406	673,945
Tangible assets			
Buildings and land	19	7,002	939
Plant and machinery	20	38,899	17,986
Equipment, tools, fixtures and fittings	21	7,306	2,280
Work in progress	22	38,732	38,853
Right-of-use assets	11	74,739	43,018
Total tangible assets		166,678	103,076
Financial assets			
Interests in other entities	24, 26	101,201	53,032
Deferred tax assets	13	301	28
Total financial assets		101,502	53,060
Total non-current assets		958,586	830,081
Current assets			
Inventories	25	93,822	98,396
Current receivables			
Trade receivables	26, 27	119,060	89,339
Other current receivables	26, 30	3,705	2,785
Prepaid expenses and accrued income	28	5,979	3,740
Total current receivables		128,744	95,864
Cash and cash equivalents	26	251,017	215,552
Total current assets		473,583	409,812
Total assets		1,432,169	1,239,893

Shareholders' equity and liabilities

Currency: SEK 000s	Note	2021	2020
Equity			
Share capital		58,221	58,221
Other contributions received		600,205	600,205
Cumulative translation differences and other reserves		21,693	-58,034
Accumulated profit		585,422	514,811
Total equity		1,265,541	1,115,203
Provisions			
Deferred tax liabilities	13	13,359	3,906
Total provisions		13,359	3,906
Non-current liabilities			
Lease liabilities	11, 26	62,733	30,575
Other non-current liabilities		4,748	4,299
Total non-current liabilities		67,481	34,874
Current liabilities			
Trade payables	26	46,244	39,922
Tax liabilities		1,612	122
Lease liabilities	11, 26	14,856	13,873
Other current liabilities	26, 30	4,496	4,204
Accrued expenses and deferred income	29	18,580	27,789
Total current liabilities		85,788	85,910
Total equity and liabilities		1,432,169	1,239,893

Consolidated statement of cash flows

Currency: SEK 000s			
	Note	2021	2020
Net income		83,145	92,693
Adjustments to reconcile net income with cash provided from operating activities			
Income taxes		24,294	27,394
Interest result		1,612	1,630
Amortisation, depreciation and impairment of non-current assets		73,285	72,780
Other non-cash expenses and income		2,274	3,419
Cash flow before working capital changes		184,610	197,916
Changes in trade receivables and other current assets		-24,653	-13,890
Change in inventories		13,300	-30,973
Changes in trade payables and other current liabilities		-4,561	19,272
Income taxes paid		-14,501	-28,961
Cash flow from operating activities		154,195	143,364
Investing activities			
Payments for investing in intangible assets	14, 15, 16, 17, 18	-7,416	-13,334
Payments for investing in interests in other entities	24, 26	-55,891	-53,032
Payments for investing in property, plant and equipment	19, 20, 21, 22	-35,147	-30,036
Divestment of property, plant and equipment	21	973	-
Cash flow from investing activities		-97,481	-96,402
Financing activities			
Interest paid		-3,190	-3,388
Interest received		154	241
Lease commitments paid		-12,418	-13,146
Dividends paid		-12,534	-11,394
Cash flow from financing activities		-27,988	-27,687
Net change in cash and cash equivalents		28,726	19,275
Effects of changes in exchange rates		6,739	-10,683
Total changes		35,465	8,592
Cash and cash equivalents, 1 January		215,552	206,960
Cash and cash equivalents, 31 December		251,017	215,552

Consolidated statement of changes in shareholders' equity

Currency: SEK 000s						
	Share capital	Other contributions received	Cumulative translation differences	Reserves	Accumulated profit	Total equity
Opening balance, 1 Jan 2020	58,221	600,205	59,969	217	433,514	1,152,126
Net income	-	-	-	-	92,693	92,693
Other comprehensive income	-	-	-118,003	-217	-	-118,220
Total comprehensive income	-	-	-118,003	-217	92,693	-25,527
Dividends	-	-	-	-	-11,394	-11,394
Total transactions with shareholders	-	-	-	-	-11,394	-11,394
Closing balance, 31 Dec 2020	58,221	600,205	-58,034	-	514,811	1,115,203
Opening balance, 1 Jan 2021	58,221	600,205	-58,034	-	514,811	1,115,203
Net income	-	-	-	-	83,145	83,145
Other comprehensive income	-	-	87,448	-7,721	-	79,727
Total comprehensive income	-	-	87,448	-7,721	83,145	162,872
Dividends	-	-	-	-	-12,534	-12,534
Withdrawal of own shares	-1,250	-	-	-	1,250	-
Bonus issue	1,250	-	-	-	-1,250	-
Total transactions with shareholders	-	-	-	-	-12,534	-12,534
Closing balance, 31 Dec 2021	58,221	600,205	29,414	-7,721	585,422	1,265,541

Parent Company's income statement

Currency: SEK 000s	Note	2021	2020
Net sales	7	276,027	279,907
Other revenue	7	9,337	8,710
Total operating revenue	7	285,364	288,617
Cost of goods sold	8, 10, 11, 30	-84,514	-82,794
Gross profit		200,850	205,823
Sales and marketing expenses	8, 10, 11	-46,817	-46,854
Research and development expenses	8, 10, 11	-37,094	-35,624
Administrative expenses	8, 9, 10, 11	-41,542	-43,109
Operating profit		75,397	80,236
Interest income		154	150
Interest expenses		-3	-5
Other financial income		43,695	4,632
Other financial expenses		-9,245	-5,927
Financial result	12	34,601	-1,150
Earnings before income taxes		109,998	79,086
Income taxes	13	-15,756	-17,066
Net income		94,242	62,020

Other comprehensive income

Currency: SEK 000s		2021	2020
Components to be reclassified to net income			
Cash flow hedge		-	-280
Income taxes payable on these components		-	61
Total other comprehensive income		-	-219
Total comprehensive income		94,242	61,801

Parent Company's balance sheet

Currency: SEK 000s	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development costs	14	32,096	39,620
Technology and other intangible assets	16	17,410	16,680
Activated customer remuneration	18	3,274	6,548
Total intangible assets		52,780	62,848
Tangible assets			
Buildings and land	19	-	-
Property, plant and equipment	21	6,146	1,353
Total tangible assets		6,146	1,353
Financial assets			
Participations in Group companies	23	905,289	909,320
Interests in other entities	24, 26	101,201	53,032
Deferred tax assets		219	-
Total financial assets		1,006,709	962,352
Total non-current assets		1,065,635	1,026,553
Current assets			
Inventories	25	7,989	7,961
Current receivables			
Trade receivables	26, 27	30,541	19,346
Other current receivables	26, 30	2,554	1,847
Prepaid expenses and accrued income	28	5,299	3,651
Total current receivables		38,394	24,844
Cash and bank balances	26	167,830	137,893
Total current assets		214,213	170,698
Total assets		1,279,848	1,197,251

Parent Company's balance sheet, cont.

SHAREHOLDERS' EQUITY AND LIABILITIES

Currency: SEK 000s	Note	2021	2020
Restricted equity			
Share capital (no. of shares: 11,394,125)		58,221	58,221
Statutory reserve		21,140	21,140
Reserve for capitalised development costs		28,804	33,406
Total restricted equity		108,165	112,767
Non-restricted equity			
Share premium reserve		579,065	579,065
Accumulated profit		458,578	404,489
Net income		94,242	62,020
Total non-restricted equity		1,131,885	1,045,574
Total equity		1,240,050	1,158,341
Non-current liabilities			
Liabilities to Group companies	26	-	4,035
Total non-current liabilities		-	4,035
Current liabilities			
Trade payables	26	26,046	16,955
Short-term payable, Group companies		1,002	1,260
Tax liabilities		1,534	30
Other current liabilities	26, 30	3,995	3,612
Accrued expenses and deferred income	29	7,221	13,018
Total current liabilities		39,798	34,875
Total equity and liabilities		1,279,848	1,197,251

Parent Company's cash flow statement

Currency: SEK 000s	Note	2021	2020
Net income		94,242	62,020
Adjustments to reconcile net income with cash provided from operating activities			
Income taxes		15,756	17,066
Interest result		-35	-18
Amortisation, depreciation and impairment of non-current assets		15,035	13,530
Other non-cash expenses and income		10,991	3,560
Cash flow from operating activities before working capital changes		135,989	96,158
Changes in trade receivables and other current assets			
		-13,352	39,480
Change in inventories			
		-27	543
Changes in trade payables and other current liabilities			
		3,222	-4,485
Income taxes paid			
		-14,471	-28,961
Cash flow from operating activities		111,361	102,735
Investing activities			
Payments for investing in intangible assets	14, 16, 18	-7,415	-13,334
Payments for investing in property, plant and equipment	19, 21	-5,619	-494
Payments for investing in financial assets	24, 26	-55,891	-53,032
Cash flow from investing activities		-68,925	-66,860
Financing activities			
Interest paid		-119	-133
Interest received		154	150
Dividends paid		-12,534	-11,394
Cash flow from financing activities		-12,499	-11,377
Total changes		29,937	24,498
Cash and cash equivalents, 1 January			
		137,893	113,395
Cash and cash equivalents, 31 December			
		167,830	137,893

Parent Company's statement of changes in shareholders' equity

	Share	Statutory	Reserve for capitalised development expenses	Share premium reserve	Accumulated profit	Total equity
Currency: SEK 000s						
Opening balance, 1 Jan 2020	58,221	21,140	33,292	579,065	416,216	1,107,934
Net income	-	-	-	-	62,020	62,020
Other comprehensive income ¹	-	-	-	-	-219	-219
Total comprehensive income	-	-	-	-	61,801	61,801
Reserve for capitalised development costs	-	-	114	-	-114	-
Total transfer between categories in equity	-	-	114	-	-114	-
Dividends	-	-	-	-	-11,394	-11,394
Total transactions with shareholders	-	-	-	-	-11,394	-11,394
Closing balance, 31 Dec 2020	58,221	21,140	33,406	579,065	466,509	1,158,341
Opening balance, 1 Jan 2021	58,221	21,140	33,406	579,065	466,509	1,158,341
Net income	-	-	-	-	94,242	94,242
Other comprehensive income ¹	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	94,242	94,242
Reserve for capitalised development costs	-	-	-4,602	-	4,602	-
Total transfer between categories in equity	-	-	-4,602	-	4,602	-
Dividends	-	-	-	-	-12,533	-12,533
Withdrawal of own shares	-1,250	-	-	-	1,250	-
Bonus issue	1,250	-	-	-	-1,250	-
Total transactions with shareholders	-	-	-	-	-12,533	-12,533
Closing balance, 31 Dec 2021	58,221	21,140	28,804	579,065	552,820	1,240,050

Notes

Note 1. General information

Probi Aktiebolag (publ) with its registered office in Lund, Sweden, was founded in 1991. Today, Probi is one of the largest and leading probiotic companies in the world, with a total of four locations in the US, Sweden and Singapore. Probi has a strong, expansive product portfolio, focused primarily in the areas of gastrointestinal health and immune defence. Probi carries out in-house fermentation, formulation and production, which take place in GMP certified facilities. Probi develops, manufactures, markets and sells probiotics in the form of e.g. powders, capsules, tablets and beverages in close collaboration with leading healthcare, pharmaceutical and food companies. Probi is a global leader in innovation and development and invests substantial resources in commercially based and structured research and development. All projects are informed by the needs of the customers. In recent years, Probi has presented a number of studies with findings that are vital to Probi's future development. Probi has over 400 patents.

The Group comprises the Parent Company, Probi AB, and two subsidiaries: Probi Asia-Pacific Pte. Ltd. and Probi USA Inc. In turn, Probi AB is a subsidiary of Symrise AG, Corp. Reg. No. HRB 200436, with its registered office in Holzminden, Germany. Consolidated financial statements for Symrise AG are available at www.symrise.com.

Probi AB's shares are listed on Nasdaq Stockholm, Mid Cap.

At the end of the reporting period, the number of shares outstanding was 11,394,125 (11,394,125). The average number of shares outstanding was 11,394,125 (11,394,125). The company has no outstanding convertible loans or warrants, so dilution does not occur. In 2021, all of Probi's 250,000 own shares were withdrawn following a decision by the Annual General Meeting.

Note 2. Accounting and measurement policies

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, "RFR 1, Supplementary accounting regulations for Groups" and International Financial Reporting Standards (IFRS).

The preparation of financial statements in accordance with IFRS requires the use of a number of important assessments and estimations for accounting purposes. Furthermore, management is required to make certain estimates when applying the Group's accounting policies. Areas requiring a high degree of assessment, that are complex or in which assumptions and estimates are of significant importance for the consolidated financial statements are specified in Note 4.

New and revised standards

For the 2021 financial year, no new standards came into effect that affected the company's accounts.

New and revised standards and interpretations not yet effective

No new or revised standards have been identified that will affect the company's accounts.

2.1 Basis of preparation of the consolidated financial statements

The Parent Company's functional currency is the Swedish krona (SEK) which is also the reporting currency for both the Parent Company and the Group.

All amounts stated have been rounded to the nearest thousand kronor, unless otherwise stated. The valuation basis is the cost, unless otherwise stated.

The most important accounting policies applied during the preparation of these consolidated financial statements are stipulated below. These policies have been applied consistently for all years presented, unless otherwise indicated.

The Parent Company applies the same accounting policies as the Group, with the exceptions of IFRS 16 Leases and supplements stipulated in RFR 2 Accounting for legal entities. The accounting policies for the Parent Company are stipulated in section 2.16 "The Parent Company's accounting policies".

2.2 Consolidated financial statements

The consolidated financial statements include the financial statements of the Parent Company and those of all subsidiaries. All companies over which the Group obtained control, according to the requirements of IFRS 10, are fully consolidated as subsidiaries. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases. As for the associated company Viva-Pro, no transactions have yet taken place in which the costs were taken on by the Parent Company.

Balance sheets of foreign subsidiaries are measured at the exchange rate on the closing day and income statements at the average exchange rate. Exchange rates are obtained from the Swedish Riksbank.

2.3 Segment reporting

The Management Group has analyzed the Group's internal reporting and determined that the Group's operations are controlled and evaluated according to a geographic distribution consisting of the regions Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia and Pacific).

All segments sell probiotics to pharmaceutical and healthcare companies as well as customers specialized in probiotics and self-care products. Revenue is derived from sales of goods ranging from raw materials in bulk to finished products in consumer packaging. In addition, food products are developed which contain Probi's probiotics, in partnership with leading food companies. Revenues come from sales of goods and through royalties. Probi has two manufacturing facilities in the Americas: a fermentation facility in Redmond, Washington, and a production and packaging facility in Lafayette, Colorado.

Sales and gross profits are recognized for these segments, and monitored on a regular basis by the CEO (the highest-ranking decision maker) together with management. The segments' assets are not monitored against the company's total assets. For further information about segment reporting, see Note 6.

2.4 Net sales

Probi's net sales comprise revenue from sales of own products and royalty revenue from business partners who conduct licensed sales of goods containing Probi's products. Probi recognizes revenue when the performance obligation has been met for each of the company's operations, as described per revenue category below. The performance obligation is the actual goods or royalty, and revenue is recognized in the period when it was provided. Probi's payment terms range from advance payments up to 90 days' credit, depending on delivery-specific factors. For

further information about the Group's allocation of revenue, see Note 7.

- Income from goods sold: Income from goods sold is recognized at the point in time when the goods are transferred to the customer, in accordance with the agreed delivery terms. Any customer discounts reduce the income in the corresponding period.
- Royalty revenue: Royalty revenue is related to product distribution in a distinct market. These agreements constitute obligations over a period of time and revenue is recognized as the performance obligations are fulfilled. Royalty revenue is mainly recognized as a percentage based on the licensee's recognition of the market value of consumer products containing Probi's products and ingredients.

2.5 Income tax

Current income tax includes tax payable or recoverable in respect of the current year, and adjustments of current tax in respect of prior years. Deferred tax is calculated on the temporary differences arising between the carrying amounts of assets and liabilities and their tax bases. De-ferred tax assets referring to loss carryforwards or other future fiscal deductions are recognized to the extent that it is likely that the deductions can be offset against surpluses in conjunction with future taxation.

The measurement of all tax liabilities and receivables is based on nominal amounts, and is undertaken in accordance with tax regulations and tax rates that have been determined or those which have been announced, and which are likely to be adopted. Tax is recognized in profit or loss, except when the tax pertains to items recognized in other comprehensive income or directly in shareholders' equity. In such cases, tax is also recognized in other comprehensive income and shareholders' equity, respectively.

2.6 Intangible assets

- Goodwill: Goodwill is tested at least annually for impairment and is measured at cost less accumulated impairment losses. Goodwill impairments are not reversed. Gains or losses on the sale of a unit include the residual carrying amount of the goodwill referring to the divested unit. Goodwill is allocated among the smallest cash-generating units in connection with impairment testing.
- Capitalized development costs: Research costs are expensed on an ongoing basis. Development costs are recognized as assets from the date on which it is deemed that the project or activity to which they relate will lead to a technically and commercially viable product or lead in some other way to future economic benefit for the company. When Probi deems that the criteria with regard to identifiability, control, future economic benefit and the ability to reliably measure cost have been met, these development costs are capitalized. Capitalized development costs include direct costs for materials, services and personnel, with a premium for a reasonable portion of indirect costs. Development costs recognized as assets are amortized over their expected useful life, which is normally five years. Amortization commences when the asset is ready for use and charged to cost of goods sold. The value of capitalized assets not yet ready for use is tested annually for impairment. Such testing could lead to the value of the asset being impaired. The asset's carrying amount is reduced and the reduction is recognized in operating profit as an impairment loss. Capitalized assets can also be scrapped. In this case, the entire carrying amount of the asset will be derecognized from the statement of financial position and recognized in operating profit as a disposal.
- Customer base: The customer base is a part of the intangible assets identified in the acquisition of Nutraceutix, which became effective on 3 October 2016. The amortization period for the customer base is 15 years. The asset is tested at least once annually for impairment.

- Technology and other intangible assets: Technology and other intangible assets are part of the intangible assets identified in the acquisition of Nutraceutix, which became effective on October 3, 2016. The amortization period for technology is 15 years. Other intangible assets also include patent expenses with an amortization period of 10 years and licenses and software with an amortization period of 3-5 years. Annual fees and other additional fees are expensed on an ongoing basis. The asset is tested at least once annually for impairment.
- Activated customer remuneration: Depreciation is made over the length of the contract

2.7 Tangible assets

Tangible assets are measured at cost less depreciation. The cost includes expenses that are directly attributable to the acquisition of the asset. Additional charges are added to the carrying amount of the asset or recognized as a separate asset, depending on which method is appropriate, and only when it is likely that the future economic benefits associated with the asset will accrue to the Group, and when the cost of the asset can be reliably measured. All other forms of repairs and maintenance are recognized as costs in profit or loss during the period in which they arise.

Tangible assets are depreciated using the straight-line method as follows:

- Buildings and land, which in Probi's case refers to right-of-use assets and leasehold improvements, are depreciated over the remaining term of the current lease.
- Plant and machinery 3–10 years.
- Equipment, tools, fixtures and fittings 3–10 years.

Gains on the divestment of tangible assets are recognized under Other operating income, and losses under Operating expenses.

2.8 Impairment of non-financial assets

Assets with an indefinite useful life are not depreciated, but tested annually for impairment. Depreciated assets are evaluated with regard to a reduction in value, whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Impairment is effected in the amount by which the asset's carrying amount exceeds its recoverable amount. When assessing impairment, assets are grouped at the lowest level at which separate identifiable cash flows (cash-generating units) exist.

2.9 Leases

In accordance with IFRS 16, all leases, except for short-term and low-value leases, are recognized on the balance sheet. These exceptions are recognized on a straight-line basis over the lease term as an operating expense.

The lease liability is valued at the present value of the remaining lease payments using the marginal lending rate as of 1 January each year. Furthermore, the asset is valued at an amount corresponding to the lease liability, adjusted for prepaid lease payments. Probi has calculated an average marginal lending rate of 3.2% based on a borrowing rate adjusted with a risk factor for the economic environment in which the transaction is carried out. See Note 11 for further information.

2.10 Financial instruments

The Group's financial instruments are classified and recognized in the balance sheet in accordance with IFRS 9 and include cash and cash equivalents, accounts receivable, accounts payable, participations in other companies and currency forward contracts.

- Cash and cash equivalents: Cash and cash equivalents include cash and bank balances. Cash and cash equivalents do not include current liabilities.
- Accounts receivable: Accounts receivable arise when the Group supplies goods or services directly to a customer with-

out intending to trade in the receivable. Accounts receivable are recognized at nominal value less any decline in value. The Group applies the simplified method for calculating expected losses. This method entails that the expected losses throughout the term of the receivable are used as the starting point for accounts receivable. The expected credit loss rates are based on qualitative judgements, the customers' payment history and the number of days of delays. Accounts receivable are written off when there is no reasonable expectation of repayment. Credit losses on accounts receivable are recognized in EBIT. For further information, refer to Note 27.

- Trade payables: Accounts payable are commitments to pay for goods or services acquired in operating activities from suppliers. Accounts payable are classified as current liabilities if they fall due within one year; otherwise they are recognized as non-current liabilities.
- Receivables and liabilities in foreign currencies: Receivables and liabilities in foreign currencies are recognized at the closing-day rate. Exchange-rate effects on operating receivables and liabilities are recognized in EBIT, while exchange-rate effects on financial receivables and liabilities are recognized in net financial items.
- Participations in other companies: Participations in other companies are measured at fair value through other comprehensive income. If there is insufficient information to measure fair value, or if there is a broad range of possible measurements of fair value and the cost represents the best estimate of fair value within that range, the cost can be used as an estimate of fair value.
- Currency forward contracts: Hedge accounting is applied to currency exposure resulting from customer receipts and supplier payments in foreign currencies and are initially and subsequently measured at fair value in the balance sheet. When applying hedge accounting, the relationship between the hedging instrument and the hedged item is documented. An assessment of the hedge effectiveness is also documented, both at the inception of the hedge and on an ongoing basis. Effectiveness refers to the degree to which fair value and cash flow changes in the hedging instrument offset corresponding changes in the hedged item. If the hedge accounting criteria are met, the effective portion of change in fair value when derivatives held for cash flow hedges are remeasured is recognized in other comprehensive income and accumulated in the hedging reserve in shareholders' equity. The cumulative hedging gain or loss that was recognized in the hedging reserve is reversed to profit or loss in the same period as the hedged cash flow affects profit or loss. Measurement gains/losses from the derivative financial instrument will be reclassified to sales or cost of goods sold depending on the underlying transaction (accounts receivable or accounts payable in foreign currencies). After reclassification, these hedging gains and losses will be offset against the actual currency gains and losses from operating business in cost of goods sold. Measurement gains/losses are recognized in the financial result insofar as currency risk hedges are used to hedge the financial activity. Any ineffective portion of the change in value is recognized immediately in profit or loss. If the hedging relationship is interrupted but cash flow is still expected to occur, the cumulative change in value is recognized in the hedging reserve until the underlying cash flow for the hedging transaction is no longer expected to occur, and the cumulative change in value recognized in the hedging reserve is immediately transferred to profit or loss. Hedge accounting was not applied for derivatives whose purpose is to hedge financial receivables and liabilities. See Note 30 for further information about financial derivatives.

2.11 Inventory

Inventory is measured, using the first-in-first-out (FIFO) principle, at the lower of cost and net realizable value on the balance sheet date. The cost of the finished goods comprises the cost of

raw materials, direct salaries, other direct costs and attributable indirect manufacturing costs, based on normal manufacturing capacity. The net sales value is the estimated sales price in operating activities, less any applicable sales over-heads.

2.12 Provisions

Provisions are recognized when Probi has, or may be deemed to have, a legal or informal obligation as a result of events that have occurred, and when it is likely that payments will be required in order to meet the obligation. A further requirement is that it is possible to make a reliable estimate of the amount to be paid. A provision for restructuring measures is made once a detailed, formal plan for the measures has been established.

2.13 Remuneration of employees Pensions

Pensions are classified as defined-contribution or defined-benefit plans. Obligations resulting from defined-contribution plans are fulfilled by paying premiums to independent authorities or companies that administrate the plans. Most of Probi's employees in Sweden are covered by the ITP plan 1 via continuous payments to Collectum. This is recognized as a defined-contribution scheme. The majority of Probi's employees in the US are covered by a 401(k) plan, which is a defined-contribution plan. All pension plans are thus recognized as defined-contribution plans over the period during which the employees performed the service to which the contribution relates.

Severance payments

Severance payments are made when an employment contract is terminated by Probi prior to pensionable age or when an employee accepts voluntary redundancy in exchange for such payment. A severance payment is recognized when there is an obligation that employees be made redundant in accordance with set rules, without the option of re-employment, or when there is an obligation to provide remuneration upon termination of employment based on an offer made to encourage the individual to take voluntary redundancy.

Bonus plans and variable remuneration

Probi recognizes a liability and a cost for bonus plans and variable remuneration when there is a legal obligation to do so according to the employment agreement or after a special decision by the Remuneration Committee.

2.14 Acquisition and sale of treasury shares

When acquiring and selling treasury shares, the proceeds, including fees, are recognized as a decrease or increase in shareholders' equity. Repurchased shares are not recognized as an asset in the balance sheet and any gain or loss is not recognized in profit or loss.

2.15 Statement of cash flows

The statement of cash flows is prepared using the indirect method. Recognized cash flow only includes transactions involving disbursements or receipts. Cash and cash equivalents are defined as cash and bank balances.

2.16 Parent Company's accounting policies

The Parent Company applies the same accounting policies as the Group, with the exceptions and supplements stipulated in "RFR2 Accounting for legal entities" and in accordance with the Swedish Annual Accounts Act (ÅRL). This means that the Parent Company prepares its financial statements using all IFRSs adopted by the EU, when this is possible within the framework of the Swedish Annual Accounts Act, and with regard to the relationship between reporting and taxation. The Parent Company posts a provision to the development cost reserve in restricted equity, in accordance with the Swedish Annual Accounts Act.

The Parent Company annually impairment tests participations in subsidiaries based on analyses of future cash flows in

the subsidiaries. If events or changes in circumstances indicate that an impairment loss may need to be recognized, then tests are carried out more frequently.

The Parent Company recognizes revenues from secondary activities as Other Income.

Amended accounting policies

For the 2021 financial year, no new standards came into effect that affected the Parent Company's accounts.

New and revised accounting standards and interpretations not yet effective

No new and revised standards have been identified that will affect the Parent Company's accounts.

Note 3. Financial risk factors

Probi's business activities are exposed to various financial risks. These can be divided into market risks (including currency risks and interest rate risks), credit risks and liquidity risks. Probi's Financial Policy, which describes the management of financial risks, is revised and adopted by the Board on an annual basis.

3.1 Market risk

Currency risk

Probi is exposed to several financial risks that primarily arise from the purchase and sale of products in foreign currency. Exchange rates affect the Group's earnings and cash flows. In 2021, 93% of Probi's revenue was billed in foreign currencies, of which 77% in USD and 16% in EUR. The company's financial policy is established by the Board and contains guidelines for the management of various types of financial risk exposure. The objective is to minimize currency exposure, and thus the currency risk, to the greatest possible extent. According to the company's financial policy, the average hedge ratio, i.e. hedged exposure as percentage of total exposure, shall be 75%.

The Board has approved currency hedging through the use of forward contracts with maturities of up to twelve months, provided that the arrangement qualifies for hedge accounting. The corporate finance function in the Group is responsible for identifying and effectively limiting the Group's financial risks. For more information, refer to Note 30.

A sensitivity analysis shows that the effect of a 5% change in the USD/SEK exchange rate on operating profit in 2021 would have been ± SEK 7.1 m., and ± SEK 46.3 m. on shareholders' equity.

Interest-rate risk

At the end of the financial year, the Probi Group had no external loans and therefore no interest-rate risk exists.

3.2 Credit risk

Credit risk is managed by obtaining customers' credit information from credit rating agencies in accordance with the company's Financial Policy. Credit limits are set and evaluated on an ongoing basis. Accounts receivable are recognized at the amount that can be expected to be paid based on an individual assessment of each customer. Credit insurance can be used to minimize risk, but as a rule, credit risk is managed through requisite assessment and evaluation of customers. For further information, see Note 27.

Counterparty credit risk in financial transactions refers to Probi's exposure, according to financial contracts, arising from the deterioration of counterparties' financial performance. Probi minimizes its counterparty credit risk in by entering into transactions only with leading financial institutions and with industrial companies that have a high credit rating (BBB+ or higher) and investing in liquid cash funds only with financially secure institutions and companies (BBB+ or higher).

3.3 Liquidity risk

Cash-flow forecasts are established regularly to ensure that the Group has sufficient cash funds to satisfy requirements in operating activities. For the portion of cash and cash equivalents that are not required for operating activities, alternative investments may be considered if this can be expected to generate a better return on investment.

Note 4. Important estimates and assessments for accounting purposes

Estimates and assessments are measured on an ongoing basis and are based on historical experience and other factors, including expectations in relation to future events, considered reasonable under current circumstances. The estimates and assessments that could involve a risk of considerable adjustments in the carrying amounts of assets and liabilities in the coming financial years are addressed below.

Impairment testing of capitalized development costs

In 2021, Probi carried out impairment tests to determine the recoverable amount of the projects that had been capitalized at 31 December 2021. The value in use, meaning the present value of the anticipated future cash flow from the products encompassed by the capitalized development costs, did not indicate any impairment requirement.

Goodwill impairment testing

Goodwill is tested annually for impairment and measured at cost unless accumulated impairment losses. Goodwill impairments are not reversed. Gains or losses on the sale of a unit include the residual carrying amount of the goodwill referring to the divested unit. Goodwill is allocated among the smallest cash-generating units in connection with impairment testing. Any acquired goodwill is allocated at the acquisition date to the cash-generating units that are expected to benefit from the synergies deriving from the business combination. In determining the value in use of the cash-generating units, the company makes assessments on market trends, consumer preferences and category dynamics. More information about these assumptions can be found in Note 17.

Assessment of participations in other companies

Probi assesses the value of participations in other companies on a quarterly basis or more frequently. If there is insufficient information to measure fair value, or if there is a broad range of possible measurements of fair value, the cost is deemed to represent the best estimate.

Revenue recognition

For agreements with volume discounts calculated on an annual basis, the amount of the discount is continuously estimated during the year, and finally determined at the end of the financial year. The estimates are based on delivered and forecasted yearly volumes. There are no other considerable revenue-related assessments.

Note 5. Management of capital

The aim of Probi's management of the capital structure is to fulfil the Group's short- and long-term obligations and generate returns for shareholders. It is also important to maintain a capital structure that minimizes the cost of capital. If the capital structure were to need adjustment in the future, this could be achieved through external borrowing, the issuance of new shares, share buybacks or changes to the dividend that is paid to shareholders.

Probi's financial objectives:

Growth

The objective is for annual organic sales growth shall exceed 7%. In 2021, Probi's growth was -8% (15).

Margin

Growth is to be combined with an EBITDA margin at or above 29%. In 2021, Probi's EBITDA margin was 28% (27).

Proposed allocation of profit in the Parent Company

The following profits in the Parent Company are at the disposal of the Annual General Meeting (SEK):

Profit brought forward	458,577,677
Share premium reserve	579,064,772
Net income	94,241,641
Total	1,131,884,090

The Board proposes that the profits at the disposal of the AGM be distributed as follows:

that a dividend of SEK 1.00 per share be paid to shareholders	14,812,362
to be carried forward	1,117,071,728
Total	1,131,884,090

The profit brought forward by the Group totaled KSEK 585,422 according to the consolidated statement of financial position and other contributions received amounted to KSEK 600,205.

Note 6. Segment information

The Group's operations are controlled and evaluated according to a geographic distribution consisting of the regions Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia and Pacific).

All segments sell probiotics to pharmaceutical and health-care companies as well as customers specialized in probiotics and self-care products. Revenue is derived from sales of goods ranging from raw materials in bulk to finished products in consumer packaging. In addition, food products are developed which contain Probi's probiotics, in partnership with leading food companies. Revenues come from sales of goods and through royalties. Probi has two manufacturing facilities in the Americas: a fermentation facility in Redmond, Washington, and a production and packaging facility in Lafayette, Colorado.

Sales and gross profits are recognized for these segments, and monitored on a regular basis by the CEO (the highest-ranking decision maker) together with management. The segments' assets are not monitored against the company's total assets. There are no sales or other transactions between the two segments.

GROSS PROFIT BY REGION

	Americas	EMEA	APAC	Total
2021				
Net sales	484,560	124,146	49,474	658,180
Cost of goods sold	-291,383	-57,217	-21,573	-370,173
Gross profit	193,177	66,929	27,901	288,007
2020				
Net sales	564,633	106,019	46,513	717,165
Cost of goods sold	-340,925	-44,010	-22,273	-407,208
Gross profit	223,708	62,009	24,240	309,957

OPERATING REVENUE DISTRIBUTED BY GEOGRAPHIC AREAS

	2021	2020
USA	478,026	560,921
Americas, excl. USA	6,534	3,712
Sverige	39,479	47,010
EMEA, excl. Sverige	84,667	59,009
APAC	49,474	46,513
Net sales	658,180	717,165

Probi's five largest customers account for 55% of the Group's sales, or SEK 364 m, of which SEK 292 m in the Americas segment and SEK 72 m in EMEA.

Note 7. Revenue distribution

REVENUE DISTRIBUTION

Group 2021	Americas	EMEA	APAC	Total
Goods	478,668	114,587	49,474	642,729
Royalties	5,892	9,559	-	15,451
Net sales	484,560	124,146	49,474	658,180

Group 2020	Americas	EMEA	APAC	Total
Goods	558,294	100,721	46,484	705,499
Royalties	6,339	5,298	29	11,666
Net sales	564,633	106,019	46,513	717,165

Parent Company 2021	Americas	EMEA	APAC	Total
Goods	11,148	112,860	34,704	158,712
Royalties	107,756	9,559	-	117,315
Net sales	118,904	122,419	34,704	276,027
Other revenue	9,154	68	115	9,337
Total revenue	128,058	122,487	34,819	285,364

Parent Company 2020	Americas	EMEA	APAC	Total
Goods	44,830	98,292	40,852	183,974
Royalties	90,606	5,298	29	95,933
Net sales	135,436	103,590	40,881	279,907
Other revenue	8,522	188	-	8,710
Total revenue	143,958	103,778	40,881	288,617

Note 8. Cost distribution

	Group		Parent Company	
	2021	2020	2021	2020
Product costs	-225,528	-256,732	-67,467	-65,342
Currency changes from operating activities	475	117	475	-108
Employee benefit expenses	-147,195	-157,635	-62,336	-63,088
Other external costs	-103,405	-106,455	-65,604	-66,313
Depreciation/amortisation and disposal of non-current assets	-73,285	-72,780	-15,035	-13,530
Total	-548,938	-593,485	-209,967	-208,381

Note 9. Auditors' fees

	Group		Parent Company	
	2021	2020	2021	2020
Ernst & Young				
Audit assignment	966	871	678	562
Audit-related services	100	79	100	79
Other services	18	36	18	36
Total	1 084	986	796	677

"Audit assignment" refers to the statutory auditing and fee for audit consultancy. "Audit-related services" refers to the review of management and financial information resulting from the legislation, Articles of Association, statutes and agreements that culminate in a report or any other document that is intended to be used as analytical material for parties other than the consultant. Everything else is classified as "Other assignments".

Note 10. Average number of employees, salaries, other remuneration and social security contributions**AVERAGE NO. OF EMPLOYEES**

	Group		Parent Company	
	2021	2020	2021	2020
Sweden	49	44	49	44
of whom women	33	31	33	31
Abroad				
Singapore	4	3	-	-
US	125	123	-	-
Total abroad	129	126	-	-
of whom women	58	56	-	-
Total	178	170	49	44
of whom women	91	87	33	31

DISTRIBUTION OF WOMEN AND MEN ON THE BOARD AND EXECUTIVE MANAGEMENT

	2021		2020	
	Women	Men	Women	Men
Board of Directors	3	2	3	2
CEO and Management Group	1	5	2	6

SALARIES AND REMUNERATION

	Group		Parent Company	
	2021	2020	2021	2020
Board of Directors	1,760	1,664	1,760	1,665
CEO and Management Group	13,118	17,011	10,482	13,104
Other employees	94,980	97,518	27,951	26,698
Total	109,859	116,193	40,193	41,467
	2021	2020	2021	2020
Social security contributions, total	27,387	28,673	20,067	20,926
Of which pension costs:	9,043	8,955	7,385	7,332
Board Members	-	-	-	-
CEO and Management Group	3,081	3,283	2,998	3,139
Other employees	5,962	5,672	4,387	4,193

REMUNERATION AND OTHER BENEFITS TO BOARD MEMBERS

	Parent Company 2021			
	Board of Directors	Rem. Comm.	Aud. Comm.	Total
Jörn Andreas	258	-	50	308
Charlotte Hansson	258	-	115	373
Irène Corthésy Malnoë	258	-	-	258
Jean-Yves Parisot	515	20	-	535
Malin Ruijsenaars	258	30	-	288
Total	1,545	50	165	1,760

	Parent Company 2020			
	Board of Directors	Rem. Comm.	Aud. Comm.	Total
Jörn Andreas	250	-	50	300
Charlotte Hansson	250	-	100	350
Irène Corthésy Malnoë	250	-	-	250
Jonny Olsson	32	-	-	32
Jean-Yves Parisot	500	23	-	523
Malin Ruijsenaars	187	23	-	210
Total	1,469	46	150	1,665

REMUNERATION AND OTHER BENEFITS TO CEO AND MANAGEMENT

2021	Base salary	Variable rem.	Other benefits	Pension costs	Total	
						Tom Rönnlund, CEO
Other management, average (5)	8,344	492	450	1,896	11,182	
	Base salary	Variable rem.	Other benefits	Pension costs	Total	
2020	Tom Rönnlund, CEO	2,671	1,271	90	1,104	5,136
Other management, average (7)	10,187	2,376	417	2,178	15,158	

The CEO was entitled to a maximum bonus of 50% of annual base salary. Other management was entitled to a maximum bonus of 40% of annual base salary. Bonus reserves for other employees including social cost amounted to SEK 4.3 m. (8.8). This outcome is based on fulfilment of quantitative and qualitative goals established annually by the Board. The Remuneration Committee is entitled to deviate from the aforementioned guidelines in the Board finds specific reasons to motivate this in isolated cases.

The notice period for the CEO is four months if given by the CEO. If notice is given by the company, the notice period is twelve months. The retirement age for the CEO is 65. There are no other severance pay or pension agreements within the company other than those described above.

The CEO's remuneration is determined by the Board of Directors, and that of other management personnel by the CEO and the Chairman of the Board. The company has no outstanding and unrecognized pension commitments, as all pensions for senior executives are defined-benefit pensions.

Note 11. Leases

Leases include lease of premises, production equipment, office equipment and company cars. The Group's expenses for short-term leases for which the underlying asset has a low value amounted to SEK 0.8 m. (0.7 m.) for 2021.

OPERATIONELLA LEASINGAVTAL

	Moderbolaget	
	2021	2020
Leasing costs for the year	5,371	4,810
Falls due for payment within one year	5,203	5,206
Falls due for payment after one but within five years	18,495	5,028
Falls due for payment after more than five years	8,109	-

COST DISTRIBUTION IFRS 16 LEASES

	Group	
	2021	2020
Depreciation of leases		
Buildings and land	-12,870	-13,657
Plant and machinery	-141	-148
Equipment, tools and fixtures	-484	-267
Total depreciation of leases	-13,495	-14,072

Financial expenses, leases

Buildings and land	-1,732	-1,834
Plant and machinery	-20	-22
Equipment, tools and fixtures	-12	-10
Total financial expenses leases	-1,764	-1,866
Total expenses attributable to leases	-15,259	-15,938

IFRS 16 LEASES IN THE BALANCE SHEET

	Group	
	2021	2020
Buildings and land	2021	2020
Opening value	41,428	59,855
Acquisitions	40,589	-
Depreciation for the year	-12,870	-13,657
Translation differences	4,216	-4,770
Closing residual value	73,363	41,428

	Group	
	2021	2020
Plant and machinery	2021	2020
Opening value	548	10
Acquisitions	-	755
Depreciation for the year	-141	-148
Translation differences	50	-69
Closing residual value	457	548

	Group	
	2021	2020
Equipment, tools and fixtures	2021	2020
Opening value	1,042	670
Acquisitions	362	637
Disposals	-	-
Depreciation for the year	-485	-267
Translation differences	-	2
Closing residual value	919	1,042

Total leases in the balance sheet	74,739	43,018
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LEASING LIABILITIES

	Group	
	2021	2020
Opening value	44,448	61 168
Additional leasing liabilities	40,951	1 392
Interest expenses	1,763	182
Paid leasing liabilities	-14,121	-13 140
Translation differences	4,548	-5 154
Closing leasing liabilities	77,589	44 448

IFRS 16 is not applied by the Parent Company. Leases are recognized on a straight-line basis over the leasing period as an expense. The nominal value of future minimum lease payments for operating leases is allocated as follows:

	Parent company	
	2021	2020
Lease payments for the year	5,371	4,810
Falls due for payment within one year	5,203	5,206
Falls due for payment later than one year, but less than five	18,495	5,028
Falls due for payment later than five years	8,109	-

Note 12. Financial income and expenses

	Group		Parent Company	
	2021	2020	2021	2020
Interest income	154	241	154	150
Exchange rate gains	1 332	3,963	1 332	3,963
Exchange rate losses	-1 408	-5,675	-1 407	-5,675
Interest expenses	-1 766	-1,871	-3	-5
Other financial expenses	-116	-252	-116	-252
Dividend from subsidiaries	-	-	42 363	669
Impairment of shares in other companies	-	-	-7 722	-
Total	-1 804	-3,594	34 601	-1,150

Note 13. Income tax

	Group		Parent Company			Group		Parent Company	
	2021	2020	2021	2020		2021	2020	2021	2020
Current tax for the year	-15,984	-17,096	-15,975	-17,066					
Deferred tax	-8,185	-10,154	219	-					
Tax effect of changed tax rate	-125	-144	-	-	Temporary differences in deferred tax	718	-1,157	219	61
Change in deferred tax	-8,310	-10,298	219	-	Tax effect of changed tax rate	-125	-144	-	-
Total income tax	-24,294	-27,394	-15,756	-17,066	Deferred tax assets in capitalised loss carryforwards	-319	-4,679	-	-
Reconciliation of effective tax rate					Total change in deferred tax for the year	274	-5,980	219	61
Profit before tax	107,439	120,087	109,998	79,086	Change in deferred tax liability for the year				
Nominal tax according to parent company 20.60% (21.4%)	-22,132	-25,699	-22,660	-16,924	Temporary differences in deferred tax	-9,454	-3,906	-	-
Adjustment of tax attributable to previous years	70	63	5	-6	Total change in deferred tax liability for the year	-9,454	-3,906	-	-
Tax effect from non deductible expenses	-629	-313	6,899	-136	Total change in deferred tax for the year	-9,180	-9,886	219	61
Tax effect of foreign subsidiaries	-1,226	-1,325	-	-					
Tax effect of changed tax rate	-125	-144	-	-					
Other taxes	-252	24	-	-					
Total effective tax	-24,294	-27,394	-15,756	-17,066					

DEFERRED TAX ASSETS AND LIABILITIES, 2021

	Group			Parent Company		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax	Deferred tax assets	Deferred tax liabilities	Net deferred tax
Intangible assets	5,817	-25,950	-20,133	-	-	-
Property, plant and equipment	219	-23,233	-23,014	219	-	219
Financial assets	-	-	-	-	-	-
Inventories	180	-	180	-	-	-
Accounts receivable and other receivables	-	-	-	-	-	-
Other provisions and current liabilities	19,809	-370	19,439	-	-	-
Loss carryforwards	10,470	-	10,470	-	-	-
Subtotal	36,495	-49,553	-13,058	219	-	219
Offsetting	-36,194	36,194	-	-	-	-
Total	301	-13,359	-13,058	219	-	219

DEFERRED TAX ASSETS AND LIABILITIES, 2020

	Group			Parent Company		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax	Deferred tax assets	Deferred tax liabilities	Net deferred tax
Intangible assets	5,079	-18,949	-13,870	-	-	-
Property, plant and equipment	27	-11,620	-11,593	-	-	-
Financial assets	-	-	-	-	-	-
Inventories	42	-	42	-	-	-
Accounts receivable and other receivables	133	-	133	-	-	-
Other provisions and current liabilities	11,493	-998	10,495	-	-	-
Loss carryforwards	10,915	-	10,915	-	-	-
Subtotal	27,689	-31,567	-3,878	-	-	-
Offsetting	-27,661	27,661	-	-	-	-
Total	28	-3,906	-3,878	-	-	-

At December 31, 2021, the Group's loss carryforwards pertaining to federal tax in the US amounted to SEK 40.4 m. (45.5 m.). Including additional loss carryforwards pertaining to state tax in the US, the Group's total loss carryforwards corresponded to

a deferred tax asset of SEK 10.5 m. (10.9 m.) at December 31, 2021. All loss carryforwards were capitalized at this date. Company management is of the opinion that the prerequisites for utilizing the deficit are warranted based on expected future development.

Note 14. Capitalized development costs

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	85,753	79,625	85,753	79,625
New acquisitions	2,790	6,128	2,790	6,128
Closing accumulated cost	88,543	85,753	88,543	85,753
Opening depreciation/amortisation	-35,082	-25,799	-35,082	-25,799
Depreciation/amortisation for the year	-10,314	-9,283	-10,314	-9,283
Closing accumulated depreciation/amortisation	-45,396	-35,082	-45,396	-35,082
Opening depreciation/amortisation	-11,051	-11,051	-11,051	-11,051
Closing accumulated impairment	-11,051	-11,051	-11,051	-11,051
Closing residual value	32,096	39,620	32,096	39,620

Note 15. Customer base

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	334,161	380,211	-	-
Translation differences	34,896	-46,050	-	-
Closing accumulated cost	369,057	334,161	-	-
Opening depreciation/amortization	-94,679	-82,379	-	-
Depreciation for the year	-23,346	-25,039	-	-
Translation differences	-11,145	12,739	-	-
Closing accumulated depreciation/amortization	-129,170	-94,679	-	-
Closing residual value	239,887	239,482	-	-

The customer base is a part of the intangible assets identified in the acquisition of Nutraceutix, which became effective on October 3, 2016.

Note 16. Technology and other intangible assets

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	227,889	239,496	86,797	78,960
Acquisitions	4,625	7,206	4,625	7,205
Reclassification	-	632	-	632
Translation differences	14,734	-19,444	-	-
Closing accumulated cost	247,248	227,889	91,422	86,797
Opening depreciation/amortization	-117,833	-108,179	-70,117	-66,662
Depreciation for the year	-15,661	-16,063	-3,895	-3,445
Reclassification	-	-11	-	-10
Translation differences	-5,617	6,420	-	-
Closing accumulated depreciation/amortization	-139,111	-117,833	-74,012	-70,117
Closing residual value	108,138	110,057	17,410	16,680

Technology and other intangible assets are part of the intangible assets identified in the acquisition of Nutraceutix, which became effective on October 3, 2016. This category also includes capitalized patents, licenses and software with a closing residual value amounting to SEK 17.4 m (16.7).

Note 17. Goodwill

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	278,238	316,202	-	-
Translation differences	28,772	-37,964	-	-
Closing accumulated cost	307,011	278,238	-	-

In accordance with IAS 36, goodwill is tested for impairment at least once per year. If events or changes in circumstances indicate that an impairment loss may need to be recognized, then tests are carried out more frequently.

The largest component of goodwill, an amount of USD 33,642,000 arose from the 2016 acquisition of Nutraceutix and consists largely of the synergies and economies of scale from combining the operations of Probi and Nutraceutix.

For impairment tests, goodwill is to be allocated to the cash-generating unit within the Group that is intended to benefit from the synergies of the business combination. Every unit with goodwill allocated to it represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The units are not larger than an operating segment as defined in IFRS 8. Probi's lowest cash-generated units at which goodwill is monitored are based on a geographic distribution consisting of the regions Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia and Pacific). Goodwill resulting from the business combination of Nutraceutix is allocated in its entirety to the Americas region, as the surplus value is primarily attributable to this region.

The Group's total goodwill at the end of 2021 amounted to SEK 307.0 m. (278.2 m.). The year-on-year increase was attributable to changed exchange rates.

Probi performs the annual impairment test in the fourth quarter for the Americas cash-generating unit.

The recoverable amount is represented by value in use and was determined as the present value of future cash flows. The future cash flows were obtained from the Probi Group's budget

and business plan. The calculation of the present value of estimated future cash flows is mainly based on assumptions relating to future selling prices and/or sales volumes and costs while taking into account any changed economic circumstances.

When applying value in use, the cash-generating unit is measured as currently used. Net cash inflows outside of the planning period are determined on the basis of long-term business expectations using individual growth rates derived from the respective market information.

The business plan is based on a detailed planning horizon for the years 2022–2025. A growth rate of 2.0% was assumed for the calculation of perpetuity. The cash flows determined in this manner were discounted with a weighted average capital cost (WACC) before tax of 6.28% for Americas. Capital costs and borrowing costs were weighted with a capital structure based on a group of comparable companies. Capital market data and data from comparable companies were used to determine capital costs and borrowing costs. There were no indications of impairment for the financial year.

Probi's management believes that no reasonable possible change in any of the above key assumptions would cause the Americas region's recoverable amount to fall below the carrying amount.

Note 18. Activated customer remuneration

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	9,822	9,822	9,822	9,822
Acquisitions	-	-	-	-
Closing accumulated cost	9,822	9,822	9,822	9,822
Opening depreciation/amortization	-3,274	-	-3,274	-
Depreciation for the year	-3,274	-3,274	-3,274	-3,274
Closing accumulated depreciation/amortization	-6,548	-3,274	-6,548	-3,274
Closing residual value	3,274	6,548	3,274	6,548

Note 19. Buildings and land

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	7,511	8,052	3,588	3,588
Acquisitions	-	-	-	-
Reclassification	6,947	-	-	-
Translation differences	784	-541	-	-
Closing accumulated cost	15,242	7,511	3,588	3,588
Opening depreciation/amortization	-6,572	-6,637	-3,588	-3,588
Depreciation for the year	-1,287	-342	-	-
Translation differences	-381	407	-	-
Closing accumulated depreciation/amortization	-8,240	-6,572	-3,588	-3,588
Closing residual value	7,002	939	-	-

The expense in the Parent Company is related to improvements in connection with the renovation and expansion of Probi's leased premises in Lund, Sweden. The consolidated statements also include improvement expenses for leased premises in Redmond, Washington, and Lafayette, Colorado.

Note 20. Plant and machinery

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	46,267	40,430	-	-
Acquisitions	-	-	-	-
Reclassification	26,073	15,914	-	-
Disposals	-2,529	-3,848	-	-
Translation differences	6,099	-6,229	-	-
Closing accumulated cost	75,910	46,267	-	-
Opening depreciation/amortization	-28,281	-29,038	-	-
Depreciation for the year	-8,010	-6,952	-	-
Depreciation/amortization of disposed equipment	2,529	3,848	-	-
Translation differences	-3,249	3,861	-	-
Closing accumulated depreciation/amortization	-37,011	-28,281	-	-
Closing residual value	38,899	17,986	-	-

Note 21. Equipment, tools, fixtures and fittings

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	11,399	11,491	9,939	10,439
Acquisitions	5,619	1,097	5,619	495
Disposals	-283	-363	-283	-363
Reclassification	473	-632	-	-632
Translation differences	178	-194	-	-
Closing accumulated cost	17,387	11,399	15,275	9,939
Opening depreciation/amortization	-9,119	-8,533	-8,586	-8,157
Depreciation for the year	-1,170	-1,029	-826	-802
Disposals	283	363	283	363
Reclassification	-	10	-	10
Translation differences	-74	70	-	-
Closing accumulated depreciation/amortization	-10,080	-9,119	-9,129	-8,586
Closing residual value	7,306	2,280	6,146	1,353

Note 22. Work in progress

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	38,853	31,021	-	-
Acquisitions	29,529	28,939	-	-
Reclassification	-33,493	-15,914	-	-
Translation differences	3,844	-5,193	-	-
Closing accumulated cost	38,732	38,853	-	-

Work in progress mainly pertained to the upgrading program at the manufacturing unit in Redmond, Washington.

Note 23. Participations in Group companies

	2021		2020	
	2021	2020	2021	2020
Carrying amount	905,289	909,320	-	-

Specification of parent company's holdings of shares in Group companies

	Share of equity of votes	Share	No. of shares	Carrying amount	Equity
Probi Asia-Pacific Pte. Ltd.					
201537643C, Singapore	100%	100%	50,000	298	2,932
Probi USA Inc					
81-2766100, Delaware	100%	100%	100	904,991	925,402

In 2021, the previously dormant companies Probi Food and Probi Feed have been liquidated.

Note 24. Participations in other companies

	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	53,032	-	53,032	-
New acquisitions	55,891	53,032	55,891	53,032
Closing accumulated cost	108,923	53,032	108,923	53,032
Opening revaluation	-	-	-	-
Revaluation	-7,722	-	-7,722	-
Closing accumulated revaluation	-7,722	-	-7,722	-
Closing residual value	101,201	53,032	101,201	53,032

An investment of SEK 53 million was made in October 2020 and relates to shares in the American company Vital Nutrients Holdings LLC, which gives an ownership of slightly less than 10% of the shares in the company. In July 2021, an investment of SEK 56 million was made and relates to shares in the New Zealand company Blis Technologies Ltd, which gave an ownership of approximately 13% of the shares in the company.

Note 25. Inventory

	Group		Parent Company	
	2021	2020	2021	2020
Raw materials and consumables	40,883	29,180	-	-
Semi-finished products	49,140	55,522	-	-
Finished goods and consumables	3,799	13,694	7,989	7,961
Total	93,822	98,396	7,989	7,961

For inventory valuation principles, refer to Note 2.11.

Note 26. Financial assets and liabilities

	Group		Parent Company	
	2021	2020	2021	2020
Financial assets				
Derivatives identified as hedging instruments				
Foreign exchange forward contracts recognized in income statement	115	-	-	-
Financial assets valued at fair value via income statement				
Interests in other entities	-	-	48,169	-
Financial assets valued at fair value via other comprehensive income				
Interests in other entities	101,201	53,032	53,032	53,032
Financial assets at amortized cost				
Participations in Group companies	-	-	905,289	909,320
Trade receivable	119,060	89,339	30,541	19,346
Cash and cash equivalent	251,017	215,552	167,830	137,893
Total financial assets	471,393	357,923	1,204,861	1,119,591
Financial liabilities				
Derivatives designated as hedging instruments				
Foreign exchange forward contracts recognized in income statement	-	-	-	-
Foreign exchange forward contracts recognized in OCI	-	-	-	-
Financial liabilities at amortized cost				
Liabilities to Group Companies, > five years	-	-	-	4,035
Trade payables	46,244	39,922	26,046	16,955
Current lease liabilities	14,856	13,873	-	-
Non-current lease liabilities, 1-5 years	48,006	28,916	-	-
Non-current lease liabilities, >5 years	14,727	1,659	-	-
Total financial liabilities	123,833	84,370	26,046	20,990

Derivatives designated as hedging instruments reflect the positive measurement at fair value of currency forward contracts connected to hedges of supplier payments in Euro. The valuation of forward exchange contracts and participations in other companies regarding Vital Nutrients Holdings (SEK 53.0 million) has been determined in accordance with level 2 in the value hierarchy.

Note 27. Accounts receivable

Carrying amount corresponds to the fair value of accounts receivable.

Group						Total
	Not overdue	Overdue <30 days	Overdue 30-60 days	Overdue 61-90 days	Overdue >90 days	
Dec 31, 2021						
Estimated not invoiced accounts receivable	-4,639	-	-	-	-	-4,639
Invoiced accounts receivable	92,204	27,193	1,130	3,290	27	123,844
Provision for doubtful accounts receivable	-88	-27	-1	-2	-27	-145
Total accounts receivable	87,477	27,166	1,129	3,288	0	119,060
Expected credit losses (%)	0.1%	0.1%	0.1%	0.1%	100.0%	0.1%

Dec 31, 2020

Estimated not invoiced accounts receivable	-2,083	-	-	-	-	-2,083
Invoiced accounts receivable	86,896	2,464	1,560	1,043	25	91,987
Provision for doubtful accounts receivable	-85	-2	-452	-1	-25	-565
Total accounts receivable	84,728	2,461	1,108	1,042	0	89,339
Expected credit losses (%)	0.1%	0.1%	29.0%	0.1%	100.0%	0.6%

Parent Company

Dec 31, 2021						Total
	Not overdue	Overdue <30 days	Overdue 30-60 days	Overdue 61-90 days	Overdue >90 days	
Estimated not invoiced accounts receivable	3,357	-	-	-	-	3,357
Invoiced accounts receivable	25,416	1,011	426	361	-	27,214
Provision for doubtful accounts receivable	-29	-1	0	0	-	-30
Total accounts receivable	28,744	1,010	426	361	-	30,541
Expected credit losses (%)	0.1%	0.1%	0.0%	0.0%	-	0.1%

Dec 31, 2020

Estimated not invoiced accounts receivable	314	-	-	-	-	314
Invoiced accounts receivable	18,434	559	11	47	-	19,051
Provision for doubtful accounts receivable	-19	-1	0	0	-	-20
Total accounts receivable	18,729	558	11	47	-	19,345
Expected credit losses (%)	0.1%	0.1%	0.1%	0.1%	-	0.1%

CHANGES IN PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE

	Group		Parent Company	
	2021	2020	2021	2020
Opening provision for doubtful accounts receivable	565	182	20	163
New provisions and increase of existing provisions	40	633	30	20
Amounts claimed	-	-	-	-
Unutilized amounts reversed	-492	-182	-20	-163
Currency effects	32	-68	-	-
Closing provision for doubtful accounts receivable	145	565	30	20

Note 28. Prepaid expenses and accrued income

	Group		Parent Company	
	2021	2020	2021	2020
Prepaid rent	366	50	1,207	1,155
Insurance premiums	1,176	1,130	158	309
Prepaid sales and marketing costs	524	398	296	361
IT costs	919	998	684	796
Other items	2,993	1,164	2,954	1,030
Total	5,979	3,740	5,299	3,651

Note 29. Accrued expenses and deferred income

	Group		Parent Company	
	2021	2020	2021	2020
Accrued holiday pay including social security contributions	9,895	9,238	3,334	3,285
Accrued production costs	830	2,293	-	-
Accrued administration and sales costs	1,314	1,583	952	375
Accrued variable remuneration to employees	5,515	13,337	2,800	9,328
Other items	1,026	1,338	135	30
Total	18,580	27,789	7,221	13,018

Note 30. Hedge accounting

	Due date	original currency	Amount to receive (+) or to pay (-) KSEK	Value change 31 Dec 2021 KSEK	Valuation 31 Dec 2021 KSEK
Amount to be bought	2022-04-14	-297	-3,031	-30	-3,062
Amount to be bought	2022-02-25	-837	-8,533	-85	-8,618
		-1,134	-11,565	-115	-11,679

	Group		Parent Company	
	2021	2020	2021	2020
Opening changes in value	-	566	-	566
Realized hedging instruments	-	-566	-	-566
Acquisitions	115	-	-	-
Closing changes in value	115	-	-	-

In 2021, Probi has applied hedge accounting in order to hedge supplier payments in Euro.

Note 31. Pledged assets and contingent liabilities

	Group		Parent Company	
	2021	2020	2021	2020
Chattel mortgages	-	800	-	800
Bank guarantee, Swedish Customs	268	268	268	268
Total pledged assets	268	1,068	268	1,068

The company has no contingent liabilities.

Note 32. Related-party transactions

Related-party transactions recognized in the statement of comprehensive income

	Group		Parent Company	
	2021	2020	2021	2020
Symrise (largest shareholder)	2,850	4,428	-	49
Symrise (largest shareholder)	-15	-1	-15	-1

The purchase and sale of goods and services to and from related parties is conducted on normal market terms. There were no other related-party transactions during the reporting period. For information about board remuneration, see Note 10.

Note 33. Events after the balance sheet date

In February 2022, Russia initiated an invasion of Ukraine. Probi has a limited exposure to Russia and Ukraine and the company's assessment is currently that the effects at both supplier and customer levels are limited. However the conflict can lead to indirect effects such as cost increases and changed demand, but these effects are currently difficult to estimate.

Five-year summary

Income statement (KSEK)	2021	2020	2019	2018	2017
Net sales	658,180	717,165	626,192	604,117	612,244
Cost of goods sold	-370,173	-407,208	-334,546	-326,087	-334,321
Gross profit	288,007	309,957	291,646	278,030	277,923
Sales and marketing expenses	-88,931	-95,780	-105,113	-91,854	-79,899
Research and development expenses	-37,082	-36,347	-31,046	-32,728	-36,606
Administrative expenses	-54,443	-54,525	-45,989	-54,700	-58,554
Other operating income/expenses	1,692	376	2,044	2,368	1,223
Operating profit/EBIT	109,243	123,681	111,542	101,116	104,087
Financial result	-1,804	-3,594	-2,019	-2,556	-11,762
Earnings before income taxes	107,439	120,087	109,523	98,560	92,325
Income taxes	-24,294	-27,394	-23,636	-22,310	-23,233
Net income	83,145	92,693	85,887	76,250	69,092

Balance sheet (KSEK)	2021	2020	2019	2018	2017
Intangible assets	690,406	673,945	797,948	798,456	767,690
Tangible assets	166,678	103,076	107,320	29,162	34,389
Financial assets	101,502	53,060	6,008	1,530	4,621
Current assets	222,566	194,260	171,372	180,983	148,487
Cash and cash equivalents	251,017	215,552	206,960	199,299	155,547
Total assets	1,432,169	1,239,893	1,289,608	1,209,430	1,110,734
Equity	1,265,541	1,115,203	1,152,126	1,028,398	884,736
Provisions	13,359	3,906	-	-	-
Non-current liabilities	67,481	34,874	51,564	6,772	5,781
Current liabilities	85,788	85,910	85,918	174,260	220,217
Total equity and liabilities	1,432,169	1,239,893	1,289,608	1,209,430	1,110,734

Cash flow statement (KSEK)	2021	2020	2019	2018	2017
Cash flow from operating activities before working capital changes	184,610	197,916	183,334	159,849	181,632
Working capital changes	-30,415	-54,552	-9,723	-31,983	-35,944
Cash flow from operating activities	154,195	143,364	173,611	127,866	145,688
Cash flow from investing activities	-97,481	-96,402	-35,117	-14,039	-26,263
Cash flow from financing activities	-27,988	-27,687	-133,014	-74,113	-48,045
Net change in cash and cash equivalents	28,726	19,275	5,480	39,714	71,380
Effects of changes in exchange rates	6,739	-10,683	2,181	4,038	-18,969
Total changes	35,465	8,592	7,661	43,752	52,411
Cash and cash equivalents at 1 January	215,552	206,960	199,299	155,547	103,136
Cash and cash equivalents at 31 December	251,017	215,552	206,960	199,299	155,547

Key figures	2021	2020	2019	2018	2017
Gross margin, %	43.8	43.2	46.6	46.0	45.4
EBITDA, MSEK	182.5	196.5	183.4	154.9	157.3
EBITDA excl effect from IFRS 16, MSEK	168.2	181.6	168.7	154.9	157.3
EBITDA margin, %	27.7	27.4	29.3	25.6	25.7
EBITDA margin excl effect from IFRS 16, %	25.5	25.3	26.9	25.6	25.7
Average number of employees	178	170	165	163	182
Share data	2020	2020	2019	2018	2017
Earnings per share before and after dilution, SEK	7.30	8.14	7.54	6.69	6.06
Share price on closing day, SEK	397.50	422.00	222.00	360.00	340.00
Market capitalisation on closing day, MSEK	4,529	4,808	2,529	4,102	3,874
Number of outstanding shares on closing day	11,394,125	11,394,125	11,394,125	11,394,125	11,394,125
Average number of outstanding shares	11,394,125	11,394,125	11,394,125	11,394,125	11,394,125

For definitions of key ratios, refer to page 80-82.

Explanation of KPIS

Definition of the alternative performance measures not defined in IFRS

The company presents some financial measures in the annual report that are not defined in IFRS. The company believes that these measures provide valuable supplementary information to investors and company management. Since not all companies calculate alternative performance measures in the same way, they are not always comparable with the measures used by other companies. However, these non-IFRS measures should not be considered substitutes for financial reporting measures prepared in accordance with IFRS.

The following alternative performance measures are presented in the annual report:

Currency: SEK 000s unless stated otherwise

Net sales adjusted for currency effects

Net sales adjusted for currency effects is defined as net sales for the year translated at the preceding year's exchange rates and is used to measure underlying net sales.

Calculated as net sales for the year adjusted with the effect of the preceding year's exchange rates:

	2021	2020	2019	2018	2017
Net sales	658,180	717,165	626,192	604,117	612,244
Currency effects	-35,099	-14,551	-21,280	5,487	843
Net sales adjusted for currency effects	693,279	731,716	604,912	598,630	613,087

Gross margin

Gross margin is defined as gross profit divided by net sales and is used to measure product profitability.

Calculated as gross profit divided by net sales:

	2021	2020	2019	2018	2017
Gross profit	288,008	309,957	291,646	278,030	277,923
Net sales	658,180	717,165	626,192	604,117	612,244
Gross margin	43.8%	43.2%	46.6%	46.0%	45.4%

Operating profit/EBIT

Operating profit/EBIT is defined as net income before financial income and expenses and tax for the period and is used as a measure of the company's profitability.

Calculated as net income less financial income and expenses and tax:

	2021	2020	2019	2018	2017
Net income	83,145	92,693	85,887	76,250	69,092
Financial result	1,804	3,594	2,019	2,556	11,762
Income taxes	24,294	27,394	23,636	22,310	23,233
Operating profit/EBIT	109,243	123,681	111,542	101,116	104,087

Operating margin

Operating margin is defined as operating profit divided by net sales and is used to measure the company's profitability.

Calculated as operating profit divided by net sales:

	2021	2020	2019	2018	2017
Operating profit/EBIT	109,243	123,681	111,542	101,116	104,087
Net income	658,180	717,165	626,192	604,117	612,244
Operating margin	16.6%	17.2%	17.8%	16.7%	17.0%

EBITDA

EBITDA is defined as operating profit/EBIT before depreciation/amortisation and impairment and is used as a measure of the company's profitability.

Calculated as operating profit/EBIT increased with depreciation/amortisation and impairment:

	2021	2020	2019	2018	2017
Operating profit/EBIT	109,243	123,681	111,542	101,116	104,087
Amortisation, depreciation and impairment	73,285	72,780	71,891	53,821	53,231
EBITDA	182,528	196,461	183,433	154,937	157,318

EBITDA excluding effect from IFRS 16

EBITDA excluding effect from IFRS 16 is defined as EBITDA excluding effects from the implementation of IFRS 16 and is used to compare EBITDA between periods.

Calculated as EBITDA less effects from IFRS 16:

	2021	2020	2019	2018	2017
EBITDA	182,528	196,461	183,433	154,937	157,318
Effects from IFRS 16	-14,374	-14,836	-14,691	-	-
EBITDA excluding effect from IFRS 16	168,154	181,625	168,742	154,937	157,318

EBITDA margin

EBITDA margin is defined as EBITDA divided by net sales and is used to measure the company's profitability before depreciation/amortisation and impairment of tangible and intangible assets.

Calculated as EBITDA divided by net sales:

	2021	2020	2019	2018	2017
EBITDA	182,528	196,461	183,433	154,937	157,318
Net income	658,180	717,165	626,192	604,117	612,244
EBITDA margin	27.7%	27.4%	29.3%	25.6%	25.7%

EBITDA margin excluding effect from IFRS 16

EBITDA margin excluding effect from IFRS 16 is defined as EBITDA excluding effects from the adoption of IFRS 16 divided by net sales and is used to compare the EBITDA margin between periods.

Calculated as EBITDA excluding effects from IFRS 16 divided by net sales:

	2021	2020	2019	2018	2017
EBITDA excluding effect from IFRS 16	168,154	181,625	168,742	154,937	157,318
Net income	658,180	717,165	626,192	604,117	612,244
EBITDA margin excluding effect from IFRS 16	25.5%	25.3%	26.9%	25.6%	25.7%

Market capitalisation on the closing date

Market capitalisation on the closing date is defined as the share price at the end of the period multiplied by the number of shares outstanding and is used to measure the company's market capitalisation at the end of the period.

Calculated as share price at the end of the period multiplied by the number of shares outstanding:

	2021	2020	2019	2018	2017
Share price at the end of the period	397.5	422.0	222.00	360.00	340.00
Number of outstanding shares	11,394,125	11,394,125	11,394,125	11,394,125	11,394,125
Market cap on closing date, MSEK	4,529	4,808	2,529	4,102	3,874

Signatures for the annual report

The Annual Report and consolidated financial statements were approved for issuance by the Board on 24 March 2022. The consolidated statement of comprehensive income and statement of financial position, as well as the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on 5 May 2022 for adoption.

The Board of Directors and CEO affirm that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and that they provide a true and fair view of the Group's financial position and earnings. The Annual Report has been prepared in accordance with gene-

rally accepted accounting standards and provides a true and fair view of the Parent Company's financial position and earnings.

The Directors' Report for the Group and Parent Company provides a true and fair overall account of the development of the Group's and Parent Company's business, financial position and earnings and describes significant risks and uncertainties facing the Parent Company and the companies within the Group.

The annual report also contains the statutory sustainability report in accordance with the requirements of the Annual Accounts Act and can be found on pages 28-41.

Lund, 24 March 2022

Jean-Yves Parisot
Chairman of the Board

Jörn Andreas
Board member

Charlotte Hansson
Board member

Irène Corthésy Malnoë
Board member

Malin Ruijsenaars
Board member

Tom Rönnlund
CEO

Our audit report was submitted on 31 March 2022
Ernst & Young AB

Peter Gunnarsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Probi AB (publ), corporate identity number 556417-7540

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Probi AB (publ) except for the corporate governance statement on pages 52-54 for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 46-83 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 52-54. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current

period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Capitalized development cost

Description

Book value of capitalized development cost amounts to 32,1 MSEK in the consolidated statement of financial position and in the financial statement of the parent company per 31 December 2021. Development costs are recognized as assets from the date on which it is deemed that the project or activity to which they relate will lead to a technically and commercially viable product or lead in some other way to future economic benefit for the company. Capitalized development costs are subject to continuous depreciation. On a regular basis the company tests if events or changes in conditions indicate any impairment requirement. Impairment testing for projects are made through calculation of net present value of future cash flows. Projects lacking estimated future economic benefits are impaired. Forecasted future cashflows are based on assumptions of future revenues.

The initial recognition of capitalized development costs and the impairment tests performed are based on estimates and assessments applied by the company and represent significant amounts. We have thus determined capitalized development cost to represent a key audit matter.

A description of the accounting policies and important assumptions applied are included in note 2 and note 4. Note 14 contains information about the amounts of capitalized development cost, depreciation and impairment.

How our audit addressed this key audit matter

During our audit we have evaluated and tested the company's process for assessing if an expenditure fulfills the criteria for being capitalized as development cost. We have also evaluated and tested the company's process for assessing indications of impairment and tested the impairment test, for example by review of the reasonableness of assumptions of future revenues. We have also examined whether the disclosures in the annual report are appropriate.

Other intangible assets and shares in group companies

Description

Other intangible assets such as customer relations, technologies and goodwill amount to 655,0 MSEK in the consolidated statement of financial position and shares in subsidiaries amounts to 905,3 MSEK in the financial statement of the parent company per 31 December 2021. The company evaluates whether the book value of these assets exceeds its recoverable amount on an annual basis or upon indications of declining

value. The recoverable amount is determined for each cash-generating unit through means of a calculation of net present value of future cash flows. Future cash flows are based on various assumptions by management such as development in earnings, growth, investment needs and discount rates.

Changes in assumptions have a major impact on the calculation of the recoverable amount and the assumptions applied by the company are therefore of great importance for the assessment if there are need for impairment. We have thus determined that the accounting of other intangible assets and shares in group companies represent a key audit matter.

A description the impairment tests is included in note 17. Note 15 through 17 includes information about the amounts of cost, depreciation and impairment. Note 23 contains a specification of shares in subsidiaries including carrying amounts. A description of the accounting policies and important assumptions applied are included in note 2 and note 4.

How our audit addressed this key audit matter

During our audit we have evaluated and tested the company's process for constructing the impairment test, for example by evaluating the accuracy of forecasts and assumptions made historically. With the support of our valuation specialists, we have examined the company's method and model for conducting impairment tests. We have evaluated and tested the company's sensitivity analysis and conducted independent sensitivity analysis for key assumptions. We have evaluated the chosen discount rate and assumptions on long-term growth with support of our valuation specialists. We have examined whether the disclosures in the annual report are appropriate.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-45 and 88-92. The remuneration report for the financial year 2021 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsi-

ble for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision

and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified. We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Probi AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting,

management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Probi AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report 33519927599a1903e41512e7f-370f466e9a0cace8c4b6c33f45b020753f185a8 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Probi AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 52-54 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Probi AB by the general meeting of the shareholders on the 7 May 2021 and has been the company's auditor since the 2 May 2018.

Lund, 31 March 2022
Ernst & Young AB

Peter Gunnarsson
Authorized Public Accountant

Board of directors



Jean-Yves Parisot
Chairman of the Board

Born: 1964.
Education: Bachelor of Economics, HEC Paris, and Veterinary Science, VetAgro Sup.
Background: Chairman of the Board since 2015. CEO of Flavor and Nutrition, a division of Symrise. Previous leadership roles at Air Liquide, Danisco, Rhodia, Rhône-Poulenc, Merial and Pfizer.
Other board assignments: Chairman of the board of VetAgroSup.
Shares in the company: -
Independent in relation to the company: Yes
Independent in relation to major shareholders: No



Jörn Andreas
Board member

Born: 1980.
Education: PhD in economics, Karlsruhe Institute of Technology (KIT), Karlsruhe.
Background: Board member since 2019. CEO of Cosmetic Ingredients Division at Symrise. Jörn has experience from both a previous assignment as board member (2014-2016) at Probi and his position as CFO of the company (2017-2018). He has extensive international experience working at Symrise in France and USA in different finance and general management roles. Jörn has also worked for The Boston Consulting Group, Hamburg and Bayer AG, Leverkusen, Germany.
Other board assignments: -
Holdings in the company: -
Independent in relation to the company: Yes
Independent in relation to major shareholders: No



Charlotte Hansson
Board member

Born: 1962.
Education: M.Sc. in Biochemistry, Copenhagen University and Marketing Economist diploma from IHM.
Background: Board member since 2017. Owner of Scandinavian Insight Consulting AB. Former CEO of MorgonTidig Distribution KB and Jetpak. Has previously served in leadership roles at Danzas ASG Eurocargo AB, Carl Zeiss AB and Beckman Coulter AB.
Other board assignments: Chairman of the board of Orio AB and Link Top Holding A/S, member of the boards of Bergman & Beving AB, DistIT AB, Green Cargo AB, Senergia Nordic AB and Stena Trade & Industri AB.
Holdings in the company: 500 shares
Independent in relation to the company: Yes
Independent in relation to major shareholders: Yes



Irène Corthésy Malnoë
Board member

Born: 1958.
Education: Doctor of Molecular Biology, University of Lausanne, and Master of Technology Enterprise, IMD Business School.
Background: Board member since 2018. Former Chief Scientific Officer and member of the board of Nestlé Health Science, leadership roles with Nestlé Research Center and the Division of Gastroenterology, Lausanne University Hospital.
Other board assignments: -
Holdings in the company: -
Independent in relation to the company: Yes
Independent in relation to major shareholders: Yes



Malin Ruijsenaars
Board member

Born: 1971.
Education: Bachelor of Human Resources from Lund University, Business Administration & Sociology from Berkeley, Master of European Studies from Brygge.
Background: Board member since 2020. Head of talent management and company development at Grenspecialisten AB. More than 20 years of international experience in HR, business management, corporate governance, growth, strategy, CSR, establishment in new markets and communication.
Other board assignments: Lime Technologies AB, Tretton37 AB.
Holdings in the company: -
Independent in relation to the company: Yes
Independent in relation to major shareholders: Yes

Senior Management



Tom Rönnlund

CEO

Born: 1972.

Education: M.Sc. Business and Economics, Stockholm University.

Background: Tom Rönnlund was made CEO in 2019. He most recently served as CEO of Navamedic ASA, a Norwegian listed company operating in the pharmaceutical and medical technology sectors. He has more than 20 years of experience in the healthcare industry and has previously held a variety of positions in sales, marketing and management at IQVIA (formerly IMS Health) as well as at international pharmaceutical companies such as Bristol-Myers Squibb and Eli Lilly.

Holdings in the company: 1,400 shares



Henrik Lundkvist

CFO

Born: 1977.

Education: M.Sc. Business and Economics, Lund University.

Background: Henrik Lundkvist was made CFO in 2019. He came to Probi from the GCE Group, a global gas equipment company, where he had served as CFO since 2015. He has previously held senior financial positions at E.ON Sverige AB and was an auditor at Ernst & Young.

Holdings in the company: 150 shares



Peter Dybdahl Hede

VP R&D

Born: 1979.

Education: M.Sc. Chemical Engineering, Technical University Denmark; PhD Biochemical Engineering, Technical University Denmark; HD Finance, Copenhagen Business School

Background: Peter Dybdahl Hede was made Vice President R&D in September 2020. He has previously held various executive and development positions at Novozymes, BASF Health & Nutrition and Lundbeck. He has broad R&D experience in the areas of biotech, pharmaceuticals and human nutrition, including close connections with start-up environments at Nordic universities.

Holdings in the company: -



Shane Judge

VP Global Sales & Marketing

Born: 1968.

Education: B.Sc. Chemical Engineering, Iowa State University.

Background: Shane Judge joined the Probi team in 2020 as VP of Global Sales & Marketing. He has broad international experience in sales and marketing in the pharmaceutical and biotech sectors, with previous management roles leading teams that launched various brands. Before coming to Probi, he worked at Eli Lilly, The Medicines Company and Sunovion Pharmaceuticals.

Holdings in the company: -



Basudha Bhattarai-Johansson

VP HR & Sustainability

Born: 1983.

Education: B.Sc. Psychology, Hood College.

Background: Basudha Bhattarai-Johansson was hired in 2020 as Vice President HR. She most recently worked for Bristol-Myers Squibb, a global biopharmaceutical company, where she served as HR director for the Nordic region. She previously held various Northern Europe HR positions at IQVIA (formerly IMS Health).

Holdings in the company: -



Andy McShea

VP Operations

Born: 1970.

Education: B.Sc. Cell Biology and Immunology, PhD Bioengineering.

Background: Andy McShea joined the Probi team in 2018 as Vice President Operations. He most recently worked for a Houston-based private-equity fund where he was responsible for the portfolio companies' operations in food, regenerative medicine and medical technology. Prior to that he was VP Biology & Chemistry at CombiMatrix Corp and Chief Operating Officer at Theo Chocolate. He has also previously worked in research at companies including Novartis and Bristol Myers Squibb.

Holdings in the company: -

Annual General Meeting

The Annual General Meeting (AGM) will be held on Tuesday, May 5, 2022 at 15.00 at Elite Hotel, Ideon Gateway, Scheelevägen 27, Lund.

Right to participate and postal voting

Eligible to participate are shareholders that are registered by Euroclear Sweden AB as shareholders regarding the conditions of Wednesday the 27th of April 2022 as well as by the latest on Friday the 29th of April 2022 announced their intention of attending the meeting. A shareholder who has their shares nominee registered must temporarily register their shares in their own name at Euroclear Sweden AB to be able to participate at the meeting. This registration must be completed by the latest on the 29th of April 2022. This means that the shareholder must send his request to the nominee register in good time.

In accordance with the regulations in the Articles of Association, the Board has decided that shareholders in Probi shall be able to exercise their voting rights at the 2022 Annual General Meeting also by postal voting. Shareholders who wish to take advantage of the opportunity for postal voting must, in addition to being entered in the Annual General Meeting share register and having registered their participation as above, use a postal voting form which is available on Probi's website, www.probi.com. The form for postal voting must be received by Probi no later than Friday, April 29, 2022.

If shareholders intend to be represented by a proxy, the power of attorney and other authorization documents should be attached to the notification. Names of agents must be stated. Proxy forms are provided on the company's website, www.probi.com.

Further information about the AGM and the registration procedure for the AGM can be found in the notice convening the AGM.

Financial calendar

Interim report Q1, 2022	April 26, 2022
AGM for 2021	May 5, 2022
Record date for dividend	May 9, 2022
Payment date for dividend	May 12, 2022
Interim report Q2, 2022	July 15, 2022
Interim report Q3, 2022	October 21, 2022
Year-end report 2022	January 27, 2023

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www.probi.com

The Annual Report is prepared in Swedish and translated into English. Should differences occur between the Swedish Annual Report and the English translation, the Swedish version shall prevail.

Production: Korp Kommunikation AB
Photo: Peter Westrup

